

Chief of Naval Operations
Adm. Jonathan Greenert

May 6, 2014

Senate Armed Services Committee Holds Hearing on Defense Department Military Compensation Proposals, Panel 1

LEVIN:

Good morning, everybody.

The committee meets this morning to review Department of Defense proposals relative to the growth of personnel costs. We welcome the Joint Chiefs of Staff to testify on these proposals, to explain why they support them, what their impact is on the force and their impact on other areas of the defense budget.

Our witnesses on the first panel are General Martin Dempsey, chairman of the Joint Chiefs of Staff, Admiral James Winnefeld, vice chairman of the Joint Chiefs of Staff, General Ray Odierno, chief of staff of the Army, Admiral Jonathan Greenert, chief of naval operations, General Mark Welsh, chief of staff to the -- of the Air Force, General James Amos, commandant of the Marine Corps and General Frank Grass, chief of the National Guard Bureau.

We will have a second panel consisting of nongovernment witnesses which I will introduce later.

It is not often that all the members of the Joint Chiefs of staff testify before us in a single hearing. So it is not often that we have the opportunity to thank them as one group for the contributions that they and those that they lead make to the well-being of our nation.

Thank you, gentlemen. Thank you for the service of you and yours.

The distinguished nature of this panel reflects the importance of the questions before our committee this year. When we mark up the National Defense Authorization Act for fiscal year 2015 later this month, the decisions that we make on compensation, force structure, end-strength, readiness and modernization will have a far-reaching impact on the men and women of our armed forces and on the future of our military and our country.

The department's 2015 budget request comes at a time of tremendous challenge and great uncertainty for the nation and for the military. The Department of Defense faces a highly constrained fiscal environment in 2015. The \$496 billion top line for the department remains the same from the funding levels in fiscal years 2013 and '14, and remains more than \$30 billion below the funding provided to the department in fiscal years 2010, '11 and '12.

Sequestration has already taken its toll on training, readiness and modernization. And sequestration threatens to return full blast next fiscal year unless, hopefully, we act to mitigate its impact before then.

These fiscal constraints have led the department to propose a number of painful measures to reduce future expenditures. The budget before us proposes significantly lower end-strengths for the ground forces through 2019, including a reduction of 50,000 more than had been previously planned in active duty Army and-strength, with smaller percentage reductions in the Guard and Reserve, as well as a reduction of over 16,000 in active duty Air Force end-strength this year alone.

The budget calls for retiring the Air Force's A-10 and U-2 aircraft, inactivating half the Navy's cruiser fleet, reducing the size of the Army's helicopter fleet by 25 percent and terminating the Ground Combat Vehicle program. Those are among other cuts.

If the budget caps in law remain in effect in fiscal year 2016 and beyond, the department has informed us that, among other cuts, it would reduce -- it would request further reductions in end-strength, the retirement of the entire KC-10 tanker fleet and the Global Hawk Block 40 fleet, reduced purchases of Joint Strike Fighters and unmanned aerial vehicles, inactivation of additional ships, and the elimination of an aircraft carrier and a carrier air wing.

The legislative proposals that we are considering this year include a number of measures relative to military pay and benefits, and that's what we'll be discussing here this morning.

LEVIN:

These include setting a pay raise for servicemembers below the rate of inflation, freezing pay for general and flag officers, limiting increases in the housing allowance below the rate of inflation, reducing the subsidy to commissaries and making changes to TRICARE that would result in increased fees and cost shares for most non-active duty beneficiaries.

In all, these pay and benefit proposals would result in savings to the department of over \$2 billion in fiscal year two -- '15 and more than \$31 billion over the future years of the defense program.

General Dempsey and his senior enlisted adviser, Sergeant Major Brian Battaglia (ph), recently wrote to this committee that, quote, "these difficult choices will reap large savings over time to address the growing imbalance in our accounts, allow us to invest in combat readiness and force modernization and still enable us to recruit and retain America's best."

The letter went on that, "Delaying adjustments to military compensation will cause additional disproportionate cuts to force structure readiness and modernization," close quote.

Now, we surely must do all that we can to minimize the adverse effect of the personnel proposals, but as long as the statutory budget caps remain in place, we do not have the option of

simply rejecting the compensation proposals. Under the statutory budget caps, we would then have to make alternative cuts.

I look forward, as we all do, to the testimony of our witnesses. And again, we thank you all and those with whom you serve for your great service to our country.

Senator Inhofe.

INHOFE:

Thank you, Mr. Chairman.

Over the last decade our nation's depended upon the courageous service and sacrifice of our military members and their families for security. And in return we have steadily increased their pay and benefits and rightly so. We should be proud of this. It's exactly what we should do for those who risk their lives to keep us safe.

However, misguided fiscal priorities of the Obama administration and the runaway entitlement spending have forced massive cuts to national security spending such as we've never seen before.

These cuts have driven our military into a readiness crisis, squadrons have been grounded, ships have been tied to piers, training rotations for ground forces have been canceled while much-needed modernization programs have been delayed or canceled. We all know this.

Retired Navy Admiral John Harvey (ph) recently said we're sending the wrong signal to the force that is serving today, the one that fought two wars in the last decade and the force we are dependent upon to re-enlist tomorrow.

We're telling them they just cost us too much, that they constitute a ticking time bomb and that their sacrifice is eating us alive. We are telling them that we are looking for a way out of fulfilling our commitments to them. This is not the right signal to send those who volunteered to serve in time of war.

I think the chairman did a good job of listing the systems that we have that we're no longer going to be able to keep and the effects of these cuts are undermining the military's ability to protect (ph) the nation; our military leaders have painted a stark and troubling picture in this reality.

And because of misguided fiscal priorities we are now being forced to make false choices between paying our troops and their families what they deserve and giving them the training and capabilities required to accomplish their mission and return home safely to their loved ones. This is an irresponsible and reckless choice.

If we spent what I think was necessary on national security, we wouldn't be in the mess that we're in today. So I'm looking forward to hearing from our witnesses.

Thank you, Mr. Chairman.

LEVIN:

Thank you very much, Senator Inhofe.

General Dempsey, welcome.

DEMPSEY:

Chairman, thank you; ranking Member Inhofe and other distinguished members of the panel.

You're right, Chairman, we don't often appear as a group before you and in particular with our senior enlisted leaders right behind us. And what I'd like to do at the beginning here is since it's unlikely we will see you as a group in your role as chairman between now and the end of the year -- at least I hope not -- we would like to thank you very much for your steadfast and passionate support of America's armed forces, the men and women who serve and their families. So thank you.

LEVIN:

Thank you very much, General.

DEMPSEY:

Yes, sir.

I want to thank you all for the opportunity to discuss military pay and compensation, but as you mention, this is only one part of a much broader effort to bundle reforms in order to keep ourselves in balance.

This particular issue, pay and compensation and health care, is an important and deeply personal issue for our servicemembers and their families.

As I've testified in the past, we're working to make sure that the joint force is in the right balance to preserve military options for the nation in the face of a changing security environment and a declining budget.

We've been tasked to reduce the defense budget by up to \$1 trillion over 10 years while upholding our sacred obligation to properly train, equip and prepare the force.

This requires carefully allocating our resources across the accounts, restoring the readiness we've already lost and continuing to make responsible investments in our nation's defense.

As I've testified before this requires certainty, it requires time and it requires flexibility. While we have a degree of certainty in our budget for the next two years, really for this year, we still don't have a predictable funding stream nor the flexibility and time we need to reset the force for the challenges ahead.

We can't do this alone. Our recommendations have lacked congressional support, notably our request to reduce base infrastructure and retire weapons systems that we no longer need and cannot afford.

In the meantime, we are continuing to hemorrhage readiness and cutting further into modernization; risk to the performance of our mission and risk to those who serve continues to grow. As one part of a broader institutional reform, the joint chiefs, our senior enlisted leaders and select midgrade-level leaders have examined pay and compensation options for more than a year.

We support the three department-wide principles guiding our proposals to rebalance military compensation.

First, we're not advocating direct cuts to troops' pay. Rather, this package slows the growth of basic pay and housing allowances while reducing commissary subsidies and modernizing our health care system.

Second, we will ensure that our compensation package allows us to continue to attract and retain the quality people we need. If we step up on this path -- and we'll watch the way the force reacts, and if it reacts, we'll be back to you with recommendations on how to adjust. But we have to take that step.

And third, the savings will be reinvested into readiness and into modernization.

In all cases we'll continue to prioritize our efforts that focus on wounded warriors and on the mental health challenges facing our force.

We have not requested any changes to military retirement, as you know. We are awaiting recommendations for the military -- from the Military Compensation and Retirement Modernization Commission expected in February of 2015.

But to be clear and to restate it, we do support grandfathering any future changes to the retirement program.

We're seeking \$31 billion in savings in pay compensation and health care over the future year defense program. If we don't get it, we'll have to take \$31 billion out of readiness, modernization and force structure over that same period.

Delaying the decision until next year will likely cause a two- year delay in implementation, which would force us to restore approximately \$18 billion in lost savings.

In short, we have submitted a balanced package that meets budgetary limits, enables us to fulfill the current defense strategy and allows us to recruit and retain the exceptional talent that we need.

Our people are our greatest strength and they do deserve the best support we can provide.

As leaders we must also exercise proper stewardship over the resources entrusted to the department. We have enough information to make these changes now. We remain committed to partnering with Congress to make these and other difficult choices facing us.

Thank you.

LEVIN:

Thank you very much, General.

Admiral.

WINNEFELD:

Chairman Levin, Ranking Member Inhofe, distinguished members of the committee, thank you also for the opportunity to appear today.

I would like to add some additional context to Chairman Dempsey's introduction. I think it's important to recall that in the 1990s, military compensation had fallen to a deeply unsatisfactory level relative to the rest of the working population in America.

With the help of the Congress, we took action to close that gap, which involved raising the trajectory of our compensation well above inflation. Those increases worked. In 2001 U.S. median annual household income equated to the direct pay of an average E-7.

WINNEFELD:

Today, it's roughly equal to the direct pay of the average E-5 and trending towards the average E-4, who now surpasses the U.S. median annual household income about eight to 10 years earlier in his or her career than before, and also receives health care, family services, leave, educational benefits that well-surpass the civilian sector along with the potential for a generous retirement.

In the process, this E-5 has moved from being in the 50th percentile of civilians with comparable education and experience in 2000 to being around the 90th percentile today. I don't think any of us at this table would say our people are overpaid, and we'd love to be able to maintain that level of compensation, but if our joint force is to be sized, modernized, and kept ready to fight, we're going to have to place compensation on a more sustainable trajectory.

We don't want to return to the 1990s. We're only asking for gradual adjustments to ensure we can recruit and retain the best our nation has to offer, while doing everything else that's required to fulfill our obligation to protect the United States within the means we're given.

These changes would account for about 10 percent of our planned cuts, within an area that counts for fully one third of our budget. The other 90 percent of our cuts are going to come out of the other two thirds of our budget, that buys things. We've carefully thought through every

one of these recommendations over the course of many meetings. Even though they're fair and they're gradual, there's still some disinformation out there.

For example, some say we're cutting pay. That's not true, as Chairman Dempsey said. We quickly eliminated any proposal, such as reducing the overseas COLA, that would do that. Others say we're trying to renege on promised health care benefits. Again, not true. We're actually trying to simplify a bewildering system while incentivizing our people to help us contain costs.

We will continue to provide the same high quality health care to our troops and our retirees, and it will continue to be free to those on active duty.

Still others say a one percent pay raise isn't fair when the employment cost index is going up at about 1.8 percent. But I would point out that our DOD civilians have just been through three years of no pay increase, and they just received one percent this year.

Finally, some are also suggesting that we want to close all state-side commissaries. We've never considered that in any meeting that I've ever attended. In fact, we believe our commissaries are an important part of the benefits we offer our families. But we want those stores to have to work as hard as our unsubsidized exchanges in providing a good deal for our people.

We think DECA can find at least the first year's savings through efficiencies, not price increases, especially since we exempted them from the 20 percent staff cuts that everyone else is taking.

Congress should also repeal legislation, apparently lobbied for by the food industry, that prohibits the sale of generics at our commissaries, which takes money right out of our people's pockets.

It really does. I recently bought a generic bottle of ibuprofen at a post exchange, which is not prohibited from carrying generics, at a 73 percent savings over the brand name that the commissary is required to carry right next door.

Efficiencies and generics could easily offset the savings we're asking for in 2015 from our commissaries. Savings that will enhance the combat readiness of our warriors that they count on us to provide.

Now, we weren't confirmed for these positions by the Senate to only make the easy choices. We have to make the hard ones, too. Choices that have only gotten harder with recent budget cuts. And we need your support. My service colleagues will now describe what will happen if we don't receive that support and we have to ask our young men and women to fight with \$31 billion worth of smaller, less modern, less ready force.

Thank you again for the opportunity to speak today, and I look forward to hearing your views and your questions. Thank you.

LEVIN:

Admiral, thank you so much.

General Odierno.

ODIERNO:

Thank you Chairman Levin, Ranking Member Inhofe, all the other committee members. It's always a pleasure to be here to discuss these important issues.

I've had the privilege to lead our men and women of all services in both peace and war. I've witnessed firsthand the selfless service, dedication, and sacrifice.

The all-volunteer Army has performed phenomenally during the longest conflicts in our nation's history. But it's imperative we discuss and understand the appropriate level of compensation, not only to recognize the sacrifice of our soldiers and their families, but to ensure we sustain the premier all-volunteer force.

Pay and compensation benefits must remain competitive in order for us to recruit and retain the very best for our Army and the joint force. However, pay and compensation must be balanced along with end- strength, readiness, and modernization of our force. Thus it is necessary that we take a comprehensive look at every aspect of our budget.

I fully endorse these Department of Defense proposals that do not directly cut our soldiers' pay, but slows the rate of growth from any allowances that are simply unsustainable. Additionally, it's essential that we gain more efficiencies in our commissaries, and our health care, specifically TRICARE. I believe the proposals recognize the incredible service and sacrifice of our soldiers and their families, while allowing us to better balance future investments in readiness, modernization, and compensation.

These are difficult but necessary decisions. Taking care of soldiers is not just about providing them competitive pay and compensation benefits. It's also about having the right capacity in order to sustain reasonable personnel tempo, invest in the most modern equipment, and maintain the highest levels of training readiness.

If the Army does not get the \$12 billion in compensation savings over the POM, we'll have to look at a further reduction in end- strength, overall readiness posture, and slow even further our current modernization programs. It is my opinion that if Congress does not approve our compensation recommendations, then you must end sequestration now, and increase our top line.

We must keep in mind that it is not a matter of if but when we will deploy our joint force to defend this great nation. We have bled in every decade since World War II. It is incumbent on all of us to ensure our soldiers are highly trained, equipped, and organized. We must balance our resources effectively to do that. If we do not, our soldiers will bear the heavy burden of our miscalculations on the battlefield.

I am proud to wear this uniform and represent all the soldiers of the United States Army. Their sacrifices have been unprecedented over the last 13 years. We must ensure we provide them with necessary resources for their success in the future.

Thank you, Mr. Chairman.

LEVIN:

Thank you very much, General Odierno.

Admiral Greenert.

GREENERT:

Thanks, Chairman Levin, and many thanks to you and Barbara for your service through the years, we appreciate it.

Senator Inhofe and distinguished members of the committee, I'm proud to represent 633,000 navies -- excuse me, sailors, Navy civilians, and their families, and especially the 50,000 sailors deployed around the globe today, along with their fellow marines. Their dedication and resilience continue to inspire me, and our citizens can take great pride in the daily contributions of their sons and daughters in places that really matter.

When I appeared before you in March, I testified that we were compelled to make some difficult choices in our PRESBUD '15 submission. 90 percent of the reductions in our PRESBUD '15 submission focused on procurement, force structure, and modernization, as well as overhead reduction, contract efficiencies, and buying smarter.

The area of last choice that we addressed in the budget was cost- growth of our pay and compensation. Now for over a year, as the chairman mentioned, the master chief petty officer of the Navy, who was with me today, and I traveled around the fleet and bases, and we listened to our sailors and families, especially those who would be most effected by these proposed changes, both the increases and the decreases. The vast majority of our sailors and families told us that they believe their total compensation package matches well with and in some cases exceeds their civilian counterparts.

But let me be clear. I don't believe our sailors are overpaid, nor do they believe that. Our sailors and families are not enthusiastic about our compensation reform. But they were clear to us that their quality of service, their work environment, needs to improve.

They understand that in this fiscal situation, we face hard choices. We -- we can't have it all. The reality within this given budget is that -- the one that we've been given, is we can't sustain our current personnel cost trajectory and we need to address this problem sooner than later.

Today, our total force personnel costs consume about 40 percent of our given budget, and that's up from 32 percent in 2000. That share continues to rise. In fact, since 2001, we reduced Navy's

end- strength 60,000 sailors. But the growth in personnel costs alone consume 60 percent of those savings. In other words, although the Navy manpower has shrunk significantly, at the same time, we reduce 25 ships in our inventory, our personnel costs have spiked.

GREENERT:

And that's been a burden on our ability to balance our investments.

The department's compensation reform proposals would generate savings to the Navy of \$123 million in '15 and \$3.1 billion over the FYDP. We would intend to reinvest any and all of these savings into these sailor quality-of-service enhancements. And that includes increasing sea pay and critical skills incentive pays to assure retention; improving 30 barracks, training buildings, morale, welfare and recreation and fitness centers; constructing barracks fitness centers and trainers; providing schools and travel for about 7,500 sailors; purchasing tactical trainers and simulators; purchasing spare parts, improved tools; and providing more maintenance opportunities.

All of these reinvestments would address the dissatisfiers (ph) that I mentioned: our sailors' quality of their service. They designed to help sailors get their jobs done effectively and safely, while addressing our critical man, train and equip challenges.

If the Congress denies authority for all the compensation savings, however, the Navy would be forced to back out this \$3 billion of sailor quality-of-life improvements and we would also face an additional \$4 billion resulting from pay raises reverting to the employment cost index. That would compel us to reduce readiness, shipbuilding and aircraft procurement even further.

We cannot afford the equivalent of another basically \$7 billion bill. Our Navy would be less ready, less modern and less able to execute the missions outlined in our defense strategic guidance and the Quadrennial Defense Review.

So, Chairman, this is a tough decision, but it's also an opportunity. Not seizing the initiative now means billions of dollars of additional costs on other programs that we can ill-afford. And given our current situation, I think it's necessary to better balance our sailors' needs to ensure our Navy remains forward and, more importantly, ready where it matters, when it matters.

I look forward to your questions.

LEVIN:

Admiral, thank you so much.

General Welsh?

WELSH:

Thank you, Mr. Chairman, Ranking Member Inhofe and members of the committee. It's an honor to be here, especially with the members of this panel.

And Mr. Chairman, might I add from all the men and women of our Air Force, thank you for your distinguished service to this country.

LEVIN:

Thank you.

WELSH:

You are a statesman, sir, and you have the respect and admiration of everybody on this panel.

LEVIN:

Thank you.

WELSH:

For the past 23 years, United States airmen have maintained an extremely high operations tempo, deploying routinely alongside their joint partners to the Middle East, nonstop since Operation Desert Storm ended in 1991. And they performed spectacularly well. I believe they've earned every penny they've made. And you have been remarkably supportive in increasing their pay and benefits over time.

But today, we're in a precarious position. Per capita costs for an airman have grown over 40 percent since 2000. Last year, our readiness levels reached an all-time low. As we struggle to recover, we don't have enough units ready to respond immediately to a major contingency and we're not always able to provide fully mission-ready units to meet our combatant commanders' routine rotational requirements.

Our modernization forecasts are also bleak. Roughly 20 percent of our aircraft were built in the 1950s and '60s. Over half of the others were built more than 25 years ago. And now, due to sequestration, we've cut about 50 percent of our currently planned modernization programs. And we can't ignore the fact that the law as currently written returns us to sequester-level funding in F.Y. '16.

This has forced us into some very difficult decisions. Pay and compensation reform is one of those very tough decisions. No one takes this lightly. But we feel it's necessary to at least try and create some savings. If we're not willing to make some tough calls, our Air Force will be neither ready to fight today, nor viable against the threats of tomorrow.

My most sacred obligation as chief-of-staff of the Air Force, to my airmen, is that when we send them to do difficult jobs in dangerous places, that they're prepared to succeed and to return home safely. Although slowing the rate of pay increases, gradually reducing BAH rates relative to the

market, reforming TRICARE, and reducing commissary subsidies will certainly hurt, what my secretary and I owe the nation, the joint team and our airmen more than anything else are the training and tools necessary to fight and win and survive.

If the proposed compensation reforms are rejected, the Air Force will be forced to cut \$8.1 billion from readiness, modernization and infrastructure accounts over the next five years. We'll take significant cuts to flying hours and weapons system sustainment accounts; reduce precision munitions buys; and lower funding for training ranges, digging our readiness hole even deeper.

We'll likely have to cancel or delay several critical recapitalization programs. Among those probably impacted would be the combat rescue helicopter and the TX trainer. Abandoning the TX program would mean that future pilots will then continue to train in the 50-year-old T-38. We'll also be forced to cut spending on infrastructure beyond the \$5 billion we've already recommended to cut over this FYDP.

Of course, these cuts would be on top of the difficult recommendations we've already made, some of which the chairman mentioned this morning: lowering our end-strength by nearly 17,000 airmen next year; divesting the entire A-10 and U-2 fleets; and if sequester-level funding returns, divesting the KC-10 fleet as well.

None of these options are good ones, but we are simply out of good options. It's time for courageous leadership. We simply can't continue to defer every tough decision in the near term, at the expense of military readiness and capability over time.

We need your help.

LEVIN:

Thank you very much, General.

General Amos?

AMOS:

Chairman Levin, Ranking Member Inhofe, and members of the committee, the current period of fiscal austerity has exacerbated an imbalance across the Marine Corps' budget. I, nor my fellow service chiefs, and more importantly the men and women who wear our services' cloth, those who have served our nation so faithfully, did not set the conditions for the fiscal calamity that we find ourselves in.

As service chiefs, we are obliged to live within the budget and the laws passed by Congress. Senators, none of us like where we find ourselves today. We spent the greater part of a year restructuring each of our services under the cold reality of a fully sequestered budget. While the Bipartisan Budget Act provided much-needed relief in '14 and '15, I'm advised by many of your colleagues in Congress to expect to return to full sequestration in '16 and beyond.

We've made difficult choices, all of us have, as we've attempted to build a balanced and combat-ready force. We have restructured and downsized our services to live within our means. We have done all of this knowing full well that the world that we live in is a dangerous one, an international landscape that is simply getting more challenging as each day goes by.

I see no indication there will be a peace dividend once we complete the mission in Afghanistan later this year. Chairman, we will not do less with less in the decade to come. We will do the same with less. From a personnel perspective, our men and women have been compensated appropriately for their many sacrifices over the past decade of war. I make no apologies for that. They've deserved every penny that Congress has afforded them.

They have faithfully fought our nation's battles, all while successfully keeping the enemies of America far from our shores. Because of my loyalty to them, there is much about today's discussion on compensation reform proposals that, frankly, I do not like, but I'm stuck with them. I'm stuck with them because I have raided every other pot of money available to me to pay for a ready Marine Corps.

As a service chief, I am first and foremost responsible for the defense of our nation. That task comes before all others. It is the sole reason why America has a Marine Corps. To accomplish this, the Marine Corps must maintain a high state of readiness. That's accomplished by having combat units that are highly skilled and highly trained. It is done by having the right equipment in the hands of warriors who may be headed into harm's way.

The most important way that we can keep faith with our men and our women is to send them into combat with the best possible training and the freshest of equipment, and to take care of them then when they come home. My challenge lies in balancing readiness, manpower and modernization, all under the umbrella of sequestration.

Our goal of consistently fielding a highly trained and combat-ready crisis response force for America is pressurized by a military personnel account that has grown to 63 cents of every appropriated dollar. Balanced against readiness requirements and an anemic military construction account, the Marine Corps' modernization and investment accounts comprise a mere 8 percent -- 8 cents on the dollar. This is the lowest it's been in well over a decade.

At the end of the day, I'm ultimately responsible for taking care of Marines and sailors and our families. This includes ensuring our people are well compensated for their service, while also afforded the best training and equipment available to fight and win our nation's battles. For Marines, their quality of service is as important as their quality of life. They understand that they must be prepared for uncertainty and they must be prepared for their next mission.

Thank you for the opportunity to represent your Marine Corps and its men and women. I thank the committee for continued support, and I stand prepared to answer your questions.

LEVIN:

Thank you so much, General Amos.

General Grass?

GRASS:

Chairman Levin, Ranking Member Inhofe, distinguished members of the committee, it's an honor for me and Chief Brush (ph), my senior enlisted adviser, to be here today representing the men and women of the National Guard.

The men and women of the Guard serve with distinction as a primary combat reserve of the Army and Air Force. We are also the first responders, first military responders on site in times of domestic crisis.

I echo the concerns of the chairman and my colleagues regarding the critical need to achieve fiscal balance across the joint force. Future fiscal challenges will dramatically constrain decision-making about the size, shape and roles of our military. This certainly will be the case when Budget Control Act funding levels return in fiscal year '16.

Therefore, it is important that we act now. Despite the Guard accounting for only 8.4 percent of the defense compensation and benefit budget, these proposals will significantly impact operational Guard. The Guard we have today is equipped, trained and tested over the past 12 years of combat.

Modest investment keeps your Army and Air National Guard ready. But if we do not act now to rebalance military compensation, we risk future training, readiness and modernization cuts across the joint force.

Our success is unquestionably due to our most important resource, our people. Every servicemember, active, Guard and Reserve, deserves the best we can provide within a fiscally sound solution.

I believe the proposal before you provides the level of compensation and is consistent with a ready and modern force.

Mr. Chairman, Senators, the National Guard has been and will remain always ready, always there. Thank you, and I look forward to your questions.

LEVIN:

Thank you so much, General. I think we'll -- we have a good -- a really good turnout here. We also have a vote at 11:00. So, let's -- one vote I believe. Let's start with a six-minute first round.

A number of you have mentioned the impacts of these budget caps, and the impacts of sequestration. These are -- these are legislatively required, but we need to do something about them.

I can assure you and members that we will have an opportunity to do something about the looming sequestration for the next fiscal year. I hope we take that opportunity.

In the meantime, as you all put out, put it very well, very clearly, we have to live with the current year's budget caps, and that's what you're trying to help us do with your recommendations.

By the way, I believe, Admiral, you mentioned something about the generics in our commissaries. We're gonna check that one out. We don't think that the law requires it. We think it's that the commissaries have to be competitive. And so we're gonna try to find the origin of that additional cost to our men and women in uniform.

We have a budget in front of us which must meet the caps in law; we have no choice. And, again if we don't adopt these particular reforms or some of them, we're going to have to make up for it with reductions somewhere else. The somewhere else has taken a big hit already, as you have pointed out, our readiness, our modernization.

We have a responsibility of being law-abiding, and we have the responsibility to the security of this country. We're gonna do the very best that we can to accomplish both goals.

Chairman Dempsey, you've mentioned that what the impact would be if we delayed these kind of changes. Can you be a little more specific?

You said that it would be a two-year delay, for instance, if we awaited the final report of the Military Compensation and Retirement Modernization Commission. Why would that be a two-year impact?

And be a little more detailed as to why you believe, as you've testified, that you have sufficient information now to make these recommendations, even though when it comes to the retirement issues, you believe that we can delay any changes in that until that commission reports.

DEMPSEY:

We believe it'll be a two-year delay because the commission won't report out until February of 2015. And that's inside of our decision cycle for the submission of the budget.

So, waiting until February seems to us to make it clear we would actually have to move along with two years at our current state, and prevent us from making the changes that we know we need to make right now.

LEVIN:

And then in terms of the -- your preparation and recommendation, it would be a two-year delay, but from the congressional perspective, we would have time in the next fiscal year, if we get those recommendations in February, to take those recommendations into account. Is that correct?

DEMPSEY:

I -- it -- it seems to me that is correct. I know less about your process than I do about our own. And preparing the budget, as you know, it's a justification book level of detail is a pretty remarkable enterprise every year.

And, by the way, for the past few years, we've had to prepare budgets against alternative futures.

So, it would -- I would be surprised if you could act that quickly on a recommendation that came to you in February.

But more importantly, to the second part of your question, we've spent the better part of a year analyzing direct and indirect compensation with the team that you see here represented here today and our programmers, and we believe that the recommendations we've made, we can articulate what the impact would be at various grade -- at various grade levels, an E-5, an O-5, both what it would do to them today and what it would do to them across the course of a career.

And we have all the information we need, and we've actually provided it. And we're ready to move on it, because we need that \$18 billion.

LEVIN:

You have taken steps, you've assured us, to consult with others in making these recommendations, including your senior enlisted personnel.

DEMPSEY:

We have, sir.

LEVIN:

I would just say this, that, they're all sitting here behind you. I believe you've told us.

And we, again, have special thanks for their service, as well.

But I would just invite them, any of them to personally contact me if, in fact, they do not agree with any or all of these cuts. They -- it's very difficult for us to ask them here today or to put them on a spot generally, but it is important that we hear from them.

And if -- I would assure them that I would keep the privacy of their remarks, I would share them to the best of my ability, and guaranteeing that privacy and anonymity, share them with my colleagues to the best I could. But I would welcome any personally delivered comments from those senior enlisted personnel to me.

DEMPSEY:

Sir, if I could, they did testify before the Personnel Committee. I'll also attest to the fact that there's not a bashful one among them, and you don't have to ask for their views, they will provide them, and they're free to do so.

LEVIN:

Good. Well, we would welcome that, and I'm sure our Personnel Subcommittee would also welcome any privately delivered comments that might differ from their testimony or from your testimony.

Thank you very much.

Senator Inhofe?

INHOFE:

Thank you, Mr. Chairman.

Not a bashful one among them.

Let's see how bashful they are here.

First of all, a lot of us have seen this coming, and I know we don't talk about it very much, but when we -- when we see money that otherwise should have gone to -- into our military, into our defense, we see the construction of the biofuel refineries, \$160 million. See the Navy purchased the greenfield at \$26 a gallon, it could be purchased on the market for \$3 a gallon. The climate change initiatives have gone up now \$120 billion since President Obama's been in office.

I commented the other day, General Welsh, that for the \$120 billion we could buy 1,400 new F-35s.

Food stamps, \$40 billion -- \$42 billion additional every year.

So, I would like to ask you, in this climate, and I am gonna submit for the record, because there isn't time to read them all, all the quotes from everyone, including -- up to and including Secretary Hagel, about the dilemma that we're in and the fiscal situation that we're in right now,

INHOFE:

Could each one of you briefly describe something in concrete terms that this fiscal climate means in terms of what your service will not be able to do to adequately train men and women to deploy them and bring them safely home?

Now, if you can't do that, I'd like to have some specifics. If you can't do it now, I'd like to get that for the record, but any of you, General Odierno have any specific thing that you would want to do, you're going to have to sacrifice doing in terms of training?

ODIERNO:

Senator, thank you. Beginning first in '15, we have to reduce home station training, which is the collective -- it all effects the collective level of training, which is the most important for -- for our forces, and it's the ability to synchronize and integrate air, ground, and the many different types of maneuver that we have to do in case we have to respond, whether it be in Korea, whether it be in the Middle East, whether it be in Europe, and so we've had to cut back on this training.

So, what that means is we have less capability and readiness levels than we would like to have in case we're asked to deploy. If we -- this will continue to exacerbate itself in 16 and 17 and 18 until we get our end-strength down to a level that would enable us to balance, and that will not happen until about F.Y. '20.

If we don't get these, we now add another \$12 billion bill that I have to find, so that means you might even have to take more end- strength out, and I've already testified to the fact that I don't believe we have enough end-strength now if we go to full sequestration in order to meet our national security needs. And so this will further exacerbate this problem.

INHOFE:

OK. General Welsh, you think of anything specific in terms of grounding units or...

WELSH:

Senator, last year was a pretty good example of what sequester-level fundings will do to our Air Force. We grounded about a third of our combat (inaudible) squadrons. We canceled red flag exercises, both U.S. red flags and coalition red flags, which is the full-spectrum high-end part of training for the United States Air Force. It's what separates us from other air forces. It's where we integrate with the other services and with ground forces and with our allies.

We cut weapons school classes, where we develop our Ph.D. warfighters. All the things that take us from doing low-intensity work to being able to fight a full-spectrum fight were effected dramatically.

INHOFE:

Yeah I think we saw after that, after the grounding of the squadrons, that the cost of getting them back ready, to a state of readiness as well as the equipment that was grounded with them exceeds the amount that would've been saved at that time. Is that accurate?

WELSH:

Senator, that is accurate.

INHOFE:

Yeah, yeah. Anybody else? Maybe -- yes sir.

GREENERT:

Senator, when you and I discussed this at my hearing, posture hearing, you were down in Norfolk, you talked to our people, and they said, "these long deployments are killing us."

INHOFE:

Yes.

GREENERT:

The problem is, if somebody's deployed and we need another carrier to deploy due to a contingency, Syria, or the issues in Europe, those that are out there now have to stand at watch, because don't have the response for a contingency that we would normally have. The folks aren't trained up to do that.

It takes longer to train them up to deploy. So we're kinda deploying just on time. We need a better contingency force to deal with the contingencies today.

INHOFE:

OK. I appreciate that.

General Amos, anything specific comes to your mind that you cannot do now in terms of preparing properly these -- these...

AMOS:

Senator, we have made decisions, as you know, to move money into training and readiness of our units. So those readiness, those units, are at a fairly high standard of readiness and will be so for the next two years. To do that, though, we've pulled money out of all our other accounts to include procurement. That's where we're feeling the pinch right now. We have \$983 million total to reset the Marine Corps and buy new -- modernize the Marine Corps for -- for this year. That's -- that's less than four percent of our entire total budget.

So, we're feeling it in the modernization, Senator. Because we've paid the bill for readiness and training out of that account.

INHOFE:

Yeah, and I bring this up because I know this is a hearing on compensation, but it -- if you change that, that doesn't happen in vacuum. And it can't be at the expense of our training, and as you say, our modernization.

My time's about expired, but in terms of our combat readiness codes, the C-1, C-2, C-3, and C-4, because we've already experienced some losses that in terms of our readiness capability, are any of you -- how are we doing now on those that we're deploying, General Odierno, in terms of -- they should be C-1 when they're deployed. Is that correct?

ODIERNO:

That's correct.

So, we've made progress in '14 because of the bipartisan budget agreement. So we are beginning to increase the readiness of our brigade combat team. So we've -- we've added about four to five more brigade combat teams.

INHOFE:

And are they all either C-1 or C-2.

ODIERNO:

They are C-1 or C-2.

INHOFE:

All right.

ODIERNO:

The problem is, is in '15 and '16 that goes down again because of the sequestration, and with this -- if we lose the -- what we've asked in the compensation savings that will bring the readiness down further, so it will impact readiness in the out-years significantly.

INHOFE:

Readiness, risk lives, right?

ODIERNO:

Right. That's right.

INHOFE:

Thank you Mr. Chairman.

LEVIN:

Thank you Senator Inhofe. Senator Reed.

REED:

Well, thank you very much Mr. Chairman, and thank you, gentlemen. General Odierno, you are, I think for the first time in decades, actually involuntarily separating personnel this year, and that will continue if some of these savings aren't realized. Is that a clear judgment?

ODIERNO:

That's correct, Senator. We are involuntary separating captains, majors, lieutenant colonels, colonels, and also non-commissioned officers. It's also the first year that people who are eligible to reenlist will not be able to reenlist because of the reduction in size of the Army.

REED:

So, you know, there are a lot of issues at play here, but we're already seeing the effects of these constrained budgets in terms of the opportunities of people who are competent, capable in their ability to serve til at least retirement, and to retire and say...

ODIERNO:

That's correct Senator.

REED:

And some of these savings, if they're realized, will help alleviate that pressure. It won't it, but it'll help alleviate that pressure?

ODIERNO:

It won't end it, but it will help alleviate it. If we don't get it, it will increase.

REED:

Accelerate.

ODIERNO:

Right.

REED:

Admiral Greenert, just -- you know, we've talked about the savings. Let's assume for the moment you get some savings. How would you apply them this year? What specific programs could we see where there are general savings applications?

GREENERT:

Getting those savings -- the first year, it would be career sea pay, and it would be special pays and allowances, incentive pays, and it would be increases to our base ops. We need to -- our ports shut down, they kinda run 9 to 5, so we want to keep them open, so when ships complete training, they can come home Friday, not go anchor out and then come in Saturday during daylight hours.

The next year, that -- that's '15, that's about \$123 million right there. In '16, it's again, starting to repair 30 barracks by trainers and simulators for small arms, for submarine trainers, for our surface trainers, to put money and to get people to training. That is travel money and trainers. And that's about 7,500 sailors that we just have backed up things.

This is the quality of their service, Senator, as I was saying. This is what they're asking. Spare parts.

REED:

And one of the points, I think the -- and I'll ask the question of General Welsh is, it's a more efficient use of resources, too, rather than keeping a ship just standing idle off port, to bring that ship in, let the troop -- the crew to see their family and let the ship be, you know...

WELSH:

Yes sir. Obviously, they'll be happier. They're back home, and their family's waiting for them rather than just hanging out overnight, waiting for the port to open.

REED:

This is a very difficult issue. I don't have to tell anyone around this table or at the witnesses (inaudible) and there's one view, and I think a very reasonable view that there's no way you can pay these young men and women (inaudible) what they do. There's no benefit, there's nothing. But at some point we have to make very difficult judgments about pay, allowances, et cetera.

But one of the other impressions I've had is -- is that really key to the morale and to the sense of service is training and having the best equipment, and ironically, you know, we could be, you know, increasing compensation, but with poor training, poor equipment, et cetera, the morale and the satisfaction and the sense of pride in the service would -- would deteriorate. Is that -- is that unreasonable, General Dempsey?

DEMPSEY:

No, it's absolutely correct, sir. The -- I've said before and I believe it today as well that today's readiness problem is tomorrow's retention problem. If you came into the military to you know, be a man or woman of action and go to sea and fly and train and you're sitting around watching your equipment, or just simply maintaining it with no possibility of training on it, you're not going to stick around very long.

REED:

I -- you know, my experience is limited, was that good training was one of the key factors in any unit, and if you didn't have it, the other was important but not as critical.

But let me ask you a question, General Dempsey, about the commissaries. You -- there is -- your -- the sense of your testimony is that you would like to get some efficiencies out of the system and that they can generate these efficiencies.

If that's not the case, then they're going to have to curtail some of their operations. Have you thought about criteria for curtailment in terms of identifying or some -- something other than just, "We'll get some efficiencies."

DEMPSEY:

We have, sir.

In fact, and I will tell you that commissaries has been the most difficult issue to wrap our arms around, because it's very difficult to understand the functioning of the commissary and it's -- and the effect that a reduction in the subsidy will have until you make the decision to do it.

That's why we're supportive of taking this first step this year, \$200 million.

And as the senior enlisted, when they do talk to you, Senator, will tell you, let's see what happens. Let's see how much efficiency we can wring out of it in order to gain some savings.

But, left unaddressed, you know, we'll be providing a \$1.4 billion subsidy in perpetuity and that just doesn't seem to me to be a reasonable course of action.

REED:

So your first step would -- and the number's about \$200 million, would be to essentially charge the system with coming up with efficiencies, either through operation techniques, different purchasing approaches, different managerial approaches, that would save the money with no idea -- no thought in this first year of closing any commissary, Is that fair?

DEMPSEY:

Yeah, I'm -- let me ask the advice of the commissary, because he's actually done most of the heavy lifting on what it could be...

REED:

Succinct.

WINNEFELD:

I'll be very quick. We have not directed any commissaries to close. That's not part of the plan.

What would happen, as you correctly point out, look for efficiencies first. Whatever they can't wring out of efficiencies would be a price increase. So you might go from the 30 percent claimed, you know, advantage right now, if all \$200 million in the first year came out, it looks like that would go to 26 percent. OK? We think we can do better than that.

And then, as you look at the competitiveness of the commissary and the market in which it exists, and most of them, I think at 26 percent savings will remain very competitive.

If not, then there are probably situations where you might close one or two.

But that's not what we have specified. We're, you know, it's, I think a lot gentler than it looks.

REED:

Thank you very much.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Reed.

Senator McCain?

MCCAIN:

Thank you, Mr. Chairman.

I thank the witnesses.

General Amos, with all of these proposals that we are examining today, it seems to me from previous testimony that the biggest problem really is sequestration. Would you agree?

AMOS:

Yes, sir, I would.

MCCAIN:

By far?

AMOS:

By far.

MCCAIN:

General Odierno?

ODIERNO:

I agree, Senator.

MCCAIN:

So unless Congress and the president act together, all of these savings will pale in comparison in the challenge that you will face as a resumption of sequestration. Would you agree?

ODIERNO:

I think we've said before that under sequestration we can't meet defense strategic guidance, we have many concerns. And we have -- and it also affects compensation and other things we want to accomplish within our budget.

MCCAIN:

By the way, on commissaries, I have a thought. Why not have people compete to provide those services? Why not just open it up for competition? No subsidy, just see who wants to provide the best services. That might be a thought you might consider. G

General Welsh, should we be purchasing rockets for our EELB program from Russia, including the fact that the person in charge of that aspect of Russia's defense has been sanctioned by the United States of America and a federal judge has ruled that that is a process that should not be pursued?

WELSH:

Senator, as you know, we already have purchased some of those rockets. We have a backlog. We're certainly are not purchasing them currently as we work through...

(CROSSTALK)

MCCAIN:

You have a backlog?

WELSH:

Sir, I'm sorry, we have an inventory that will cover the next two years of planned launches if we are allowed to use them.

MCCAIN:

So, do you think you should continue to purchase them?

WELSH:

Sir, it's clear that right now we may not continue to purchase...

(CROSSTALK)

MCCAIN:

I'm asking your opinion, whether you think we should continue to purchase them.

WELSH:

Sir, I think the best answer for the United States of America is to have the option of an organic booster.

MCCAIN:

Thank you.

General Grass, do you believe that the -- that the movement of Apaches out of the Guard is a wise move?

GRASS:

Senator the adjutant's general submitted a proposal to me that I have submitted to the Army about that. And we actually agree with two-thirds of the move of the trainer and also moving the Kiowa Warriors, and we've submitted a proposal to keep strategic depth of Apaches in the Guard.

MCCAIN:

So it's your view that the Apaches should remain in the Guard?

GRASS:

A certain amount, sir.

MCCAIN:

General Odierno, you mentioned a couple of times in previous testimony you thought that the A-10 was by far the most superior close air support weapon that we have.

ODIERNO:

Senator, what I said was our soldiers have the most confidence in the A-10, they're used to working with it. I also said that the Air Force has provided close air support with other platforms which has also been successful.

MCCAIN:

Does it give you comfort to know that the B-1 is one of the replacement ideas that the Air Force has put forward presently in Afghanistan? That would mean a six-hour flight from its base in a different country, and -- as opposed to a minimum of one hour, and those weapons are delivered from very high altitude?

ODIERNO:

Senator, I have -- I have -- first off, I have confidence that the Air Force understands the immediacy if necessary of close air support. I believe the systems they have in place will provide us that immediacy.

Again, as we use different platforms, we will have to work -- we will work through with the Air Force how we use those and how they're best effective in supporting our ground forces as we move forward.

MCCAIN:

I find it curious that you come over here with all the necessity for cost savings, and the A-10 costs for a flying hour is \$17,000 per flying hour, the B-1, \$54,000 per flying hour.

I, as I said before, General Welsh, I challenge you to find an Army or a Marine commander who has functioned in the field and needed close air support that would feel comfortable with the B-1 replacing the A-10.

I'll look forward to you providing me with those individuals.

The fact is that the B-1 is much more expensive. It flies at high altitude. And it hit -- attacks static targets. That does not fulfill the mission of the -- of close air support as I know it.

I'd be glad to hear your response.

WELSH:

Senator the B-1 also provides about five hours time on station, up to 32 joint direct attack munitions. As you...

(CROSSTALK)

MCCAIN:

... \$54,000 per flying hour.

WELSH:

Yes, sir.

And in some scenarios, where the ground forces are not in direct contact with the enemy, it's an exceptionally good close air support platform. and I would be happy to provide people who will tell you that.

It's also not the planned replacement for the A-10, sir. The primary airplane doing close air support to take the place of the A-10 will be the F-16. It's already done more close air support in Afghanistan than the A-10 has. And it will work with other aircraft if the scenario allows it, to provide the best possible close air support for our troops on the ground.

We are absolutely committed to it. We have been, and we will remain so.

MCCAIN:

Well, you've tried to get rid of it before, General, and didn't succeed, and we'll try to see that you don't succeed again.

Finally, Mr. Chairman, my time has expired, but I gave a speech again yesterday on the floor of the Senate. You've now got 57 percent of the \$300 billion that was spent last year in fiscal year '13, noncompetitive, 80 programs, according to the Government Accountability Office with \$500 billion in cost overruns, that EELB, Air Force Expeditionary Combat Support System, over \$1 billion which is now, has no result, the Expeditionary Fighting Vehicle, \$3 billion. a former Marine helicopter, \$3.2 billion.

The acquisition system in the Department of Defense is broken. It still hasn't been fixed. And when we have as much as \$3 billion cost overrun for a single aircraft carrier, the American taxpayer will not sustain it.

I thank you, Mr. Chairman.

LEVIN:

Thank you, Senator McCain.

Senator Blumenthal?

BLUMENTHAL:

Thank you, Mr. Chairman.

Thank you all for your service, your extraordinary dedication and contribution to our nation. And I join Chairman Levin in saying to you and the men and women who serve under you that we owe you a tremendous debt of gratitude both in peace and war.

General Dempsey, I hadn't intended to ask this question, but I'm encouraged to do so by one of Senator McCain's questions, on the purchase of Russian helicopters for the Afghan military, what would it take to convince you that we should stop those purchases, literally, today, since the money that we're spending on them goes to Rosoboronexport, the Russians arms agency, that in turn is fueling and financing Assad in Syria and also now the troops that are on the border with Ukraine.

What would it take you to -- what would it take to convince you that we should stop those purchases right away?

DEMPSEY:

An alternative, Senator. We -- we -- I just came back from Afghanistan on Saturday. And Afghan security forces did an absolutely remarkable job of managing their elections. They peak for the big events, but they're not ready to sustain themselves over the long term. And we've got to get -- we've got to get them a lift capability and an attack capability. And currently, there's no alternative.

Now, we are looking inside the department to see if we can find an alternative supply chain and repair parts, believe me. And by the way, the other thing that it would take is if a sanction were to be placed against them, that would be the law and we would -- we would have to react to that.

BLUMENTHAL:

A sanctions against the Russians arms agency.

DEMPSEY:

That's right.

(CROSSTALK)

DEMPSEY:

A sector sanction. But at this point, we don't have an alternative, though we continue to seek one.

BLUMENTHAL:

Is there a military reason that we should not impose sanctions on Rosoboronexport, the Russian export agency?

DEMPSEY:

The military reason is what I just expressed, which is a concern that we would leave the Afghan security forces without an air component for some time.

BLUMENTHAL:

But can't we provide those components from another source and training to fly American helicopters?

DEMPSEY:

Well, the -- we've talked about the American helicopters, Senator. That would take a very long time, much longer than it does to -- with the Mi-17, but we are looking at alternative sources of supply and repair parts.

BLUMENTHAL:

I don't want to dwell too long on this issue and you've been very, very gracious in talking to me about it on previous occasions, both on and off the record. And I appreciate your attention to it, but I would like to follow up further with it, and I appreciate your responding.

A question for you, General Dempsey, and perhaps to General Odierno and General Amos. One of the biggest factors in suicides, the cause of suicide, is financial stress. And the rates of suicide I know have been of great concern to every member of this panel.

Do you anticipate that any of these cuts or changes in compensation will impose greater stress, and obviously that's an emotional term. It may not be objectively a cut in a standard of living, but the idea of stress comes with reductions in compensation and the threat of additional reductions in compensation.

So, you know, I ask this question very cognizant of the fact that many of our best and brightest who are fortunately serving now, go into the military without the idea that compensation is going to be the key to their future. And as the father of two who have served, who are serving, I'm well aware that the training and the challenge and the mission are the primary motivations for any young man or woman who goes into the military.

But in terms of retention and continued service, aren't we creating additional financial stress, which in turn aggravates suicide rates and other downsides physically and emotionally?

DEMPSEY:

Well, I will let the service chiefs talk about the many programs in place to help servicemen and - women deal both with stress, and in particular with their financial well being. I personally, Senator, my belief is that the uncertainty of all of this is a greater cause of stress than the slowing of growth that we've prepared.

And as I've gone around into town hall meetings, that -- that echoes, that resonates. They are more concerned because they don't know what the future will be in terms of our ability to raise and maintain a force over time.

But let me ask if any of the service chiefs want to talk specifically about it.

ODIERNO:

If I could, Senator, I want to really piggyback on what the chairman just said. Their concern is, "am I going to have a job." My concern is -- their concern is, "I'm still going to be part of the best Army; am I going to have the best equipment; am I going to be ready when you ask me to deploy somewhere around the world."

Certainly, they're concerned about their compensation, but in reality, we're not reducing their compensation. We're reducing the rate of growth of their -- they won't be able to see a cut in their paycheck. Their paychecks will continue to increase.

So in my opinion, that's the bigger issue, sir.

BLUMENTHAL:

And can you talk, perhaps General Dempsey or General Odierno, about the STARRS program, the study to assess risk and reliance in terms of addressing suicide issues in the Army?

ODIERNO:

I can, Senator. So, STARRS enters its fifth year of the program. To date, more than 100,000 soldiers have voluntarily participated, and this allowing us to gain new data that's enabling us to see where the stresses are, what are causing soldiers to think about suicide, to have suicide ideation, and in some cases with those who have actually attempted suicide.

So it's really giving us high-quality information that we're able to put back in our program. So we are continuing to fund that program because the information we're getting is allowing us then to pass that information to the commanders, and allowing them to better help and understand what the stressors are on our soldiers. So we're going to continue to invest in that program as we move forward.

BLUMENTHAL:

Thank you.

Thank you very much, Mr. Chairman.

LEVIN:

Thank you, Senator Blumenthal.

Senator Fischer?

FISCHER:

Thank you, Mr. Chairman.

General Dempsey, some have suggested that maybe there's other areas in the budget that we can cut. And I guess I'd like you to speak to that. I know that research and procurement plans have been cut, but do you believe that there are any additional savings in those areas or other areas that can offset these compensation changes?

How do you -- how do you weigh that?

DEMPSEY:

Yes, Senator, not only are there other areas that could be cut, we have actually cut nearly every area. In fact, I'd actually prefer to allow some of the service chiefs to talk about how they've tried to balance the reductions against pay, compensation, health care, modernization, training, infrastructure.

It's -- there are five or six or seven places you can find money in a budget. They looked. There's nothing left under the mattress. We've got to do this in a balanced way.

Anybody want to add to that?

FISCHER:

General Amos?

AMOS:

Senator, in my service, we've taken -- as I testified in my opening statement -- 63 cents on every dollar goes to manpower. So, that's -- we're the highest of all. By the way, that doesn't mean Marines cost more. We actually cost less because we're a younger service. But it's a percentage of budget and a percentage of top line.

So -- so we are 63 percent. So that leaves 27 percent available for readiness. So, you want me to be a highly state -- in a high state of readiness so we can deploy today, and we do that often, as you know. So that's 20 percent (sic), 27 cents of every dollar applies to that.

And then really all that's left over is -- for the most part is about 8 percent, which is equipment, modernization and you mentioned R&D; 4 percent is R&D and 4 percent is modernization. So when you think about in our service, we've been at war for 12 to 13 years, and -- and 4 percent of my entire -- 4 cents on every dollar is going to modernize the Marine Corps after 12 or 13 years.

So, to General Dempsey's, the chairman's point, is that we've looked in a lot of places. So for me, my manpower count is 63 percents (ph) on every dollar, 64 percent of that is pay, health care and BAH. So if I'm going to make a change, even if it's -- even if it's a modest change, for me I get a pretty high return on the money considering the amount of money I'm paying for modernization.

ODIERNO:

Senator, if I could just add to that. So, currently we're only funding our installations at 50 percent of what it should be funded at. We don't have a BRAC. We're going to have to continue to sustain a number of installations that we have. We can't fund our installations fully. That's already the case. We're cutting the Army by 34 percent in the active component. We're cutting the Army by potentially 20 percent in the National Guard; 10 percent in the U.S. Army Reserve.

Our research and development and acquisition accounts have been cut by 39 percent. It's -- we've slowed down every one of our programs, which is costing cost overruns because we've now slowed down how long it's taking us to procure aircraft. And so what that means is each aircraft costs more because we've slowed it down and we've reduced the amount of aircraft we're buying.

So, we are into the (inaudible) where we're not only past efficiencies, we're becoming more inefficient because of how we're trying to deal with the problems that we're -- we're doing. Our MILCON is at the lowest level ever in the Army right now.

And so, we are trying -- we have taken as many efficiencies as we possibly can to pay a \$170 billion bill that we still have to pay over the next several years.

FISCHER:

You have strategic requirements that you have to meet. So just how far are you going to fall short of those if the sequester continues?

ODIERNO:

Well, so -- I mean, until we can get the end-strength out, which is going to take us about three or four more years, we're going to continue to be out of balance. Now, we -- what we're trying to do is the problem we have is we're having -- we've taken a portion of the force, a very small portion of the force and making them as ready as possible to meet our operational commitments.

The problem is that the rest of the force is paying a significant price in readiness. And what that means is, as we get unknown contingencies, we are not going to be able to respond with the readiness and capabilities that we are used to responding. And that's my real concern, Senator.

FISCHER:

And we've talked a little bit about the commission that's out there and the recommendations that they may come up with.

Are any of you concerned -- I guess I'll start with you, General Dempsey -- are any of you concerned about the changes that you're proposing here, that you're contemplating for the budget?

What happens if the commission rejects those and goes in another direction?

How are you going to address that?

DEMPSEY:

The commission's work is on changes to structure of paid compensation, health care and retirement, which is a longer look at this than we're proposing right now. I think -- I think our suggestions are going to harmonize quite well, frankly, with what they're doing.

FISCHER:

Say, what would you see for savings if the -- if the pay's going to be capped at an increase of 1 percent down the line?

DEMPSEY:

I'm not sure I understand the question, Senator.

FISCHER:

If you -- if you're looking at savings on pay...

DEMPSEY:

Right.

FISCHER:

-- the budget that you're proposing, you have -- you're talking about a 1 percent this year...

DEMPSEY:

That's right.

FISCHER:

-- or for F.Y. '15 instead of the 1.8?

DEMPSEY:

Right.

FISCHER:

There will be savings there.

Do you anticipate that that will continue into the future?

And how far into the future?

Would you cap that?

DEMPSEY:

Oh, I see.

Well, I think that's one of the things that we would expect to get some advice from from the commission, because that's a structural issue. The savings on that 1 percent versus 1.8 percent is about \$3.8 billion over the future year defense plan and that's money we really need.

FISCHER:

OK. I see my time's up. Thank you.

LEVIN:

Thank you, Senator Fischer.

Senator Donnelly.

DONNELLY:

Thank you, Mr. Chairman.

And thank you for all your service.

I want to focus for just a minute on mental health assistance. And I appreciate all your efforts of all the services in trying to get this right.

General Grass, the national guard is limited in its ability to provide medical treatment to its members. You can't access the defense health programs funding and have to use operations and maintenance funds.

Does this impact the quality of mental health support that you can provide for your members?

GRASS:

Senator, we've -- we have 167 trained mental health clinicians across the states. Those are primarily in the state headquarters as well as in the wings, the flying wings. Thanks to the Congress, we got a \$10 million plus up for this year. We've been able to bring on additional clinicians that we can put in the high-risk areas, so that's been very helpful.

My concern is probably more looking to the future, and especially as we bring men and women off of active duty into the Guard that maybe have had multiple deployments, and they're coming back to their hometown and will we be able to expand and provide the health care they need, as well as our own men and women.

And in the past we've had a 50-50 split on prior service and nonprior. During the war that actually went down to a 20 percent prior service and 80 percent nonprior. So, we have to tackle this issue.

DONNELLY:

Well, you know, we continue to need to do a better job of assessing the mental well-being of our service members every year for every service member, regardless of whether deployed or not. And this goes for active Guard and reserve.

And General Dempsey, I was wondering your views on conducting annual mental health examinations or screenings for the active and reserve members.

DEMPSEY:

Well, we have programs in place predeployment where we screen them. I -- let me ask the service chiefs if you extend those into routine presence deployments.

Jon?

GREENERT:

Well, we have predeployment, as the chairman said. And then post-deployment we have 30-day, 90-day and six-month checks, which include -- I don't know that I could call it a mental health screening, but delves into issues that -- of mental health that are individual.

So, when you take, you know, that across a spectrum and folks deploy every two years or so, that's quite a few checks.

DONNELLY:

OK.

General?

ODIERNO:

You know, same, we conduct assessment prior, then we do one during deployment and then we do one after the deployment. And then we're now making a part of the routine sustainment as we do physicals and other things, behavioral health is becoming a part of that.

If I could just -- there's two things I would -- with the National Guard, I would, if I could, we've increased simply telebehavioral health, OK. So we got to continue to invest in that because that then allows them from external places to get behavioral health.

And the other thing is the TRICARE Reserve Select, which is a low-cost premium that allows them to get care. We're subsidizing that. We subsidize that by 72 percent. So that's an investment that we've made to help them to get care outside of the military health structure, which should assist our Guard and our reserve in order to get the behavioral health and other care that they need.

DONNELLY:

You -- in previous hearings here had mentioned about the possibility or the use of off-base mental health assistance as well. And that seems like in certain cases that could be a very good fit.

ODIERNO:

We are trying to build a civilian military consortium of capability that allows our soldiers and their families to get -- to get the care. We're making some progress in that.

We're also working with many outside organizations on our major installations in order to have this cooperative effort, because sometimes they'd much rather go to someone in the civilian community than in the military structure because of their concern about stigma and other things.

And so we're trying open that up as much as possible as we move forward.

DONNELLY:

General Amos, I just want to ask you, you mentioned 63 cents of every dollar goes to personnel, 4 percent for modernization.

With that 4 percent, how modern will that allow the Marine Corps to be in about 10 years if it continued at that rate?

AMOS:

Sir, it will -- it's part of the decision we made last summer as we were facing sequestration. We said, what's good enough?

So, in 10 years the Marine Corps will not be a very modern service with regards to ground tactical vehicles. It will be with regards to aviation and a few other. But we will be living with legacy vehicles in the ground tactical vehicle...

(CROSSTALK)

DONNELLY:

And this would be for all of you and I'll do it quick.

Is there an upper limit, like on the personnel cost? I remember, Admiral Greenert, we were at a dinner with you, where you said at some point if things don't change, the Navy's personnel costs will be two-thirds of every dollar and it will be very difficult to run the operations of the Navy if that occurs.

Is there an X crosses Y point for the different services?

GREENERT:

Well, to -- that was at a rate that we were on at the time. And that would notionally rest itself. But I think what we're suggesting is to slow growth. So, for the Navy, we're about right now at about -- at about 25 percent to 35 percent. Now if you add reserves, I'm talking about sailors, reserves and civilian personnel.

So, we're talking about arresting it to the area we are right now.

DONNELLY:

OK.

Sir?

ODIERNO:

So, for the Army historically it's 42 percent to 45 percent. Today we're at about 48 percent and growing. And that's the concern we have. And as the budget comes down, that it will probably grow as a bigger percentage.

We're still working the numbers, but it will continue to grow if we don't watch this very carefully.

WELSH:

Senator, one of the concerns that I have is that the percentage for the Air Force has stayed the same between 2000, 2001 and today. It's roughly in the mid-30s, 30 percent to 35 percent of budget is costs we pay to people.

The problem with that is we've cut 50,000 airmen during that timeframe. Our top line has gone up; we've cut 50,000 people and the percentage of the budget we put toward those people is exactly the same. That's the impact of the cost growth.

DONNELLY:

Thank you very much, Mr. Chairman.

LEVIN:

Thank you, Senator Donnelly.

Senator Ayotte?

AYOTTE:

Thank you, Mr. Chairman.

I want to thank all of you for your leadership in the military, for your extraordinary service to our country during challenging times.

I just have a comment up front and I want to echo the comments that Senator McCain made. This really is about sequestration.

And as we look at these issues in terms of compensation and also the readiness issues and challenges that you're facing, right now, it seems to me that when we look at the overall budget, taking it out of the DOD realm, 60 percent of what we're spending our federal dollars are on mandatory spending, entitlement programs, that if we don't get together collectively as a Congress and address the bigger picture in the budget, then those programs, by the way, go bankrupt but also it continues to squeeze out the priorities in terms of defending this nation at a very challenging time.

Sequester, let's not forget, was set up to be something that would never happen. And yet here we are.

So, I think that we need to show an iota of the courage that our men and women in uniform do every day and really address the big picture problem here with sequester because we're going to continue to face this down.

AYOTTE:

And as I look at it, the one thing that worries me is that when we went through the COLA discussion in the budget agreement, there seemed to be somewhat of a disconnect, that there were comparisons made between civilian personnel and the sacrifices that our men and women make every day.

Well, when you're married to someone in the military and you've got to move around, you can't have the same career as someone who's on the civilian side. When you're missing those weekends, those holidays, it is not the same.

And so, you cannot make those comparisons. And we cannot lose sight that the 1 percent of this population, the men and women in uniform that go out and defend the rest of us, that the sacrifices they made are very different.

So what I would like to make sure that we don't lose sight of that as a nation and that we actually, hopefully, can get this Congress to the place where we're taking on the big picture hard questions that need to be taken on so that we don't diminish the best military in the world.

So, that's my comment up front. And I know that many on this committee share those sentiments and really what we need to address if we want to make sure that our men and women in uniform are supported and the defense of this nation is sound.

I want to ask in particular just real quick, to follow up on what Senator McCain had asked General Odierno, just so -- just so we're clear on the A-10, our men and women on the ground, do they have as much confidence in the F-16 in terms of the CAS mission as they do in the A-10?

ODIERNO:

If you ask people on the ground they will tell you that they believe in the A-10. They can see it. They hear it. I think a lot of times they're not aware of the F-16 as much because it's not potentially visible to them. So if you ask them on the ground, they're very clear that they support...

(CROSSTALK)

AYOTTE:

Do you believe the F-16 is the equivalent of the A-10 on the ground in terms of reattack times, in terms of ability to go low and slow, in terms of survivability in those real close settings?

ODIERNO:

They both have very different capabilities. They both can -- they can conduct the missions, but the A-10 has certain characteristics that are -- that enable them to -- visual deterrence, able to see, the type of munitions, but the F-16 also has been capable of developing and delivering assistance, Senator.

AYOTTE:

Well, let's be clear. The A-10 is -- the F-16 is not the equivalent of the A-10 when it comes to the close air support mission on the ground, is it?

ODIERNO:

It's not the same.

AYOTTE:

General Amos, would you disagree with that, that it's the equivalent -- is the F-16 the equivalent of the A-10 in terms of close air support on the ground?

AMOS:

Senator, I can't comment on the F-16. I can comment on the F-18. And the Marines would rather have F-18s overhead than A-10s.

I will say that (inaudible) during OIFI (ph) I had 60 F-18s, 72 (inaudible) Harriers, and General Mosley (ph) gave me 100 sorties of A-10s every day. So it was a nice blend. The A-10s in those days were nonprecision. I think that's taken care of now. I think they've got precision systems...

(CROSSTALK)

AYOTTE:

... is added now.

AMOS:

Yeah. So they've got all that. So that makes them a better platform. So, I think it's a blend.

But the Marines, if you ask the Marines on the ground, they'd rather have the F-18s and their Harriers overhead. That doesn't mean they didn't appreciate the hell out of the -- out of the A-10s. And I know for a fact that they did.

AYOTTE:

So, I guess my -- I guess my question is, do you think that the A-10, the F-16 is the equivalent of the A-10 in close air support? Yes or no?

AMOS:

Senator, I do this for a living. And I think they're two completely different platforms with overlapping missions. One is very old. The other one is not quite so old.

I think what you'd probably like to do is have a blend, if we could afford it. We're at a point right now where we're trying to make decisions on what we can afford and modernization.

AYOTTE:

Well, it seems to me when I think about what the men and women in uniform on the ground have told me when I visited Afghanistan, we should be able to afford what they believe is the best close air support platform, especially given the cost per flying hour and what we've previously invested in the A-10.

I have a question for the whole panel that I haven't -- that I really think we need to get to the bottom of. When we add up the F.Y. '14, F.Y. '15 pay caps and proposed BAH pay reductions, the reductions in commissary savings and the new TRICARE fee structure, the Military Officers Association has given us an estimate that an E-5's family of four would experience a loss of about \$5,000 in purchasing power annually, thinking about their overall compensation package as opposed to just pay or one area.

Do you -- do you all agree with that estimate?

And have you -- have you done the analysis in terms of thinking about our junior enlisted officers and what it will mean for them in terms of these proposals on a gradation? Because I haven't seen that. Perhaps you produced it.

But I think it's important for us to see, especially for the thinking about the sergeants in our Army and our Marine Corps, the staff sergeants, the petty officers, second class, all of those who are -- who are at -- really at the junior enlisted level, who are making a lot less money. And, you know, some of them, unfortunately, in some instances, I know in the past have been on -- it's a shame, but have been on food stamps and other things.

So, I think those numbers are particularly important for us to see.

DEMPSEY:

Senator, we'll take it in general for the record and give you -- we do have that data, but the CNO actually has the specific answer to that question that you asked.

GREENERT:

If you look at the literal pay today, this is an E-5 in the Navy, about six years in the Navy, three dependents, they make \$64,300. And I'll give you this, I'll back up this.

In 2019, which is at the end of this pay -- this pay period we're talking about, they would make \$76,000. Now, that's just -- that gives them inflation.

If you look at buying power, to be straight with you...

AYOTTE:

Right.

GREENERT:

... they get about a 4 percent loss in buying power as a result of this. That's about \$2,500, not \$5,000.

Does that make sense?

AYOTTE:

Yes. So basically, you would say that the estimate (inaudible) gave us, your estimate would be half that?

GREENERT:

Yes, sir -- yes, ma'am.

AYOTTE:

Now, I appreciate that. I just think it's important for us to understand in the buying power dollars. Because, I mean, that's how families operate, as you know.

And so -- so that we understand on that junior enlisted level that really they're going to have the toughest time with this. And I want to understand that.

AMOS:

Senator, on the commissary issue, which is a sore point for me personally, the proposals here are -- the DECA advertises 30 percent savings on -- across the market for us out there right now.

And they're saying that as we go down and we put these efficiencies in, this -- whatever it is, \$1.1 billion worth of efficiencies over time, it's gonna go down to 10 percent. That's a 66 percent drop in savings for my Marines.

I don't like that. I don't think that's the solution set. I think the solution set is to -- is to force DECA to become more efficient and figure out how to do it, and don't put that burden on the backs of our young enlisted Marines, our lance corporals, our sergeants, our airmen or seamen.

So I think the commissary piece is important. We don't need to turn our back on it. But I think we're going at it the wrong way. I think we need to force DECA to do some of the things that the services have had to do over the last year to try to live within our means, if that makes sense.

AYOTTE:

It does. Thank you. I appreciate it.

I know that I'm beyond my time.

LEVIN:

Thank you, Senator Ayotte.

Senator Hagan?

HAGAN:

Thank you, Mr. Chairman.

And, Mr. Chairman, I wanted to open just wanting to express my thanks to General Amos, Commandant Amos, for his incredible leadership over the Marines, as well as your wife, Bonnie, for all that she has enjoyed and been through over these so many years. But thank you for your steadfast dedication to our Marine Corps, to our country and to the state of North Carolina.

AMOS:

Thank you, Senator. I'll pass that on to Bonnie.

HAGAN:

Please. We certainly face difficult decisions in fiscal year '15, as we all know and have been discussing. And it's something that this committee will be closely examining in the coming weeks as we consider the NDAA.

In looking ahead, however, we also face the return of sequestration in fiscal year '16 and beyond.

North Carolina, as all of you know, has one of the largest military footprints in our nation, so I am particularly concerned about the effect that it would have on our servicemembers. And I am committed to finding a balanced solution that's gonna put an end to sequestration in future years.

My question, General Amos, with this likely being your last appearance before our committee as commandant, I'm interested in your most blunt view of the impact that the return of sequestration would have on our Marine Corps in the future.

AMOS:

Senator, just trying to pull the figures out. We've testified on this so many times in the past.

There is absolutely no doubt in my service, and in particularly your state, you're losing -- you're gonna go from almost 50,000 Marines, a little bit more than that, down to just about 41,000 Marines in your state alone. All as a result of the forced drawdown, and it's -- which is driven a lot by sequestration.

AMOS:

So, it's not dollar for dollar, but it's significant.

But I think more importantly than that is you're gonna take a force that is -- whose raison d'etre is to be ready today to go tonight, and we'll continue to do that for about two more years. But if sequestration returns in '16, then you're going to see the readiness of those units that are -- that are designed to and assigned to be ready tonight, you're going to see the readiness in those units fall under sequestration. We haven't even talked about modernization, equipment, and all that other stuff. Just the O&M, the training, readiness, the ranges, the ammunition, the fuel, the ability to train those young marines is going to fall over about the -- starting in about two years.

HAGAN:

And that is certainly one of the -- very reasons that I think it's very, very important that we take notice of this, we listen to what y'all have to say, and we certainly work very hard together to be sure that we can stop sequestration.

General Dempsey, as I am chair of the emerging threats subcommittee, and I am concerned about how, once again, the continued sequestration could affect our ability to meet the challenges in the future. If sequestration returns in fiscal year '16, what threats concerned you the most in terms of our ability to be prepared?

DEMPSEY:

I think three things. One, I've mentioned to Senator Blumenthal, which is the uncertain that will persist within the force, and that's going to have issues in the human dimension. This -- these are real people we ask to do this work, and we owe them little certainty in their lives. Secondly, it will affect our ability to maintain force -- forward presence to the degree we believe we should.

When we -- when we're forward, we deter our adversaries and we reassure our allies. And if we have fewer forces forward, we will be less deterrent and less reassuring to our allies. And then, as General Odierno mentioned, should a contingency arise, we will have less in readiness back here to flow forward to respond to that crisis, so those are the three things I would suggest we should take very seriously, and in the aggregate, they define a level of risk that at BCA levels, we believe to be unacceptable.

HAGAN:

Thank you.

I did want to ask a question similar to what Senator Ayotte was -- was talking about, her last question. You know, unlike the private sector, where most companies can easily recruit mid-level employees, in the Armed Forces, we don't have an alternative but to build and develop our mid-grade officers and non-commissioned officers from within. And as our servicemembers reach that midpoint of their careers, they are making these critical decisions about whether or not to make the military a career.

These officers and non-commissioned officers obviously have a wealth of experience with multiple deployments, many times to Iraq and Afghanistan. How do you think they will view DOD's proposed compensation proposals? And I'd put this out to anybody.

I can give you some numbers that are rough numbers. We find that in retention, which is I think the question you're asking, that a 10 percent pay increase, historically, we've had more increases over the last decade than decreases, for first-term retention, it increases retention about 10 to 15 percent. For second term retention, it increases at about 10 to 13 percent, and it increases career retention about five percent.

So, if you were to take a 10 percent decrease, which is not at all what we're talking about here, we're just talking about lowering the trajectory of increases, they're smaller increases, presumably you would have a commensurate effect. So, I think what we're hearing from our people is that there might be some small impact on retention, but that based on the current economy and a number of other factors, that we think we're going to be OK. We carefully considered that as we designed these proposals to not end with a breakage in retention.

Right now, the Air Force is retaining, and I would defer to the chief over there, but in 10 of 11 categories, the Air Force is exceeding its goals in career retention. They're at 96 percent, just as an example.

HAGAN:

Thank you.

Thanks -- thank you, once again, General Amos. Thank you.

NELSON:

Thank you, Senator Hagan. Now, Senator Kaine.

KAINE:

Thank you Senator Nelson. And to members of the panel, thank you for your service and your testimony today. I just want to associate myself with the comments about sequestration.

One of the first votes I cast when I came into the Senate was to eliminate sequester as needless and poor budgetary strategy, together with colleague Senator Nelson, Senator King, and others on the budget committee, we worked to at least reduce the effect of sequesters in F.Y. '14 and '15, and those of us who are on budget, those of us on armed services, many of us are going to be trying to do the same thing with '16 and carrying it forward.

General Dempsey, just to open my questions in this vein about sequester, are the -- the recommendations that are part of this budget, including the compensation recommendations we're discussing today, are they driven primarily by optimal defense strategy or by budgetary caps imposed by Congress?

DEMPSEY:

The -- there are some things in our recommendation, you know, these are -- this is a bundling of -- of reform. There's some things in there that we would have clearly wanted to do, whether sequestration was a fact or not.

And then there's things that are very clearly the result of sequestration. So, you know, we are trying to recover from 12 years of conflict, restore skills lost, rebuild readiness, recapitalize the force, and it's really the aggregate of effects. I would certainly say that sequestration has dramatically exacerbated our challenge.

It would've taken us three years or more to reset the force whether sequestration was upon us or not. But this really exacerbates it.

KAINE:

That is a -- I think that's an important thing. The optimum for the nation would be if our budgetary decisions were driven by our strategic choices, especially in defense, but in other areas as well. A distant second place is if we let strategy be dictated by budget realities, but we've really been doing is letting strategy be dictated by budget uncertainties, budgetary gimmicks, and that is a -- the -- the far distant third in terms of the way we ought to be doing defense and other strategy in my view.

One of the issues -- before I came to the Senate, the Senate agreed as part of a net 2013 NDAA to embark upon this military retirement and modernization commission. And one of the issues that I have just found kind of compelling as folks have advanced it is, regardless of the justifications for particular compensation type changes in all those that you're advancing seem to me to be good faith efforts to tackle budgetary challenges.

Nevertheless, there's an argument that's being made that you know, the Senate kind of embraced a notion that there ought to be this full-scale 360 degree examination of these changes, and a recommendation would be circa February 2015, and that you should not make changes until then.

What is your thought about whether we sort of break faith with a commitment that we made, even if these changes are made in good faith and they're justified, if we embark on those changes prior to the -- the full set of recommendations from the commission early next calendar year?

WINNEFELD:

I think it's important to reiterate what Chairman Dempsey said a minute ago, and that is we fully expect the commission to take a holistic look not only at retirement structure, but also the pay structure. How we structure compensation for our people, what is BAH? What is basic pay, all those sorts of things. What we're talking about here is really tweaks to the existing structure, that we would not really expect the military compensation commission to say, well, we think base pay should be raised at this percent next year, whatever.

I think they're taking a more fundamental look at how we structure compensation overall, and -- but we believe we need to get going now, we can't wait for this commission to report to -- to get our -- the savings we need in order to give these young men and women the tools they need to fight.

And we look forward to the military compensation's recommendations on structure.

KAINE:

Admiral Winnefeld, is it your understanding that the commission, just to use one example, would not be addressing items like what should the level of subsidy be for the commissaries?

Do you think that is outside the scope of the work that they're going to be doing?

WINNEFELD:

They might address the level of subsidy there. They can address the full range of things, but we think that they're -- our view is their principal role is, "what is the structure of compensation?"

How -- let's take a fresh look at how we pay our people to see if we have this right in a -- in a 21st century. So, I would not want to rule out that they would look at individual little numbers, but we thought we had all the data that we needed right now to get moving on this so we can get the savings we need sooner, to get these young men and women the tools they need to succeed in combat.

KAINE:

One of the things that I think is most important about the work that the commission does is that they really have a great sense of, you know, kind of a scientific survey sense of what service men and women at all levels feel about the kind of relative priorities of compensation, retirement items. Senator Cornyn and I today have introduced a bill, the Servicemember Compensation Empowerment Act that kind of directs them as part of their recommendations to make sure that they'd done serving.

KAINE:

They may already be under way on surveys of that kind, but we think that's pretty important.

Let me ask about this idea that the -- that the work of this commission looks at structure. We had a wonderful hearing last week, General Welsh, on the Air Force force structure analysis that really was getting at some of these structural issues. There's -- there's more ways to save money in the personnel system than just adjust a COLA or adjust a salary increase, the entire structure of a service operation is a way to find savings and promote, you know, the mission as well.

You talked about the continuum of services, an idea within the Air Force. Are the other service branches doing -- I'm just curious -- things similar to the Air Force force structure analysis? Or is that more being done as part of this military retirement and modernization commission?

ODIERNO:

Senator, we look at our structure every single year, and we do a comprehensive review of our structure and how it fits and what the cost is, and how it fits within our requirements. So we're constantly doing this.

We also look at optimizing the grade plate within the structure. You know, what are the right grades that we should have; what's the right leader-to-led ratio; what's the right leader-to-led ratio in the operational force versus the generating force. We are constantly doing this assessment. Every year, we look at it anew to make sure we keep it in balance and have it right. And that is part of this.

But the Army is in a -- we're all in different places. We're significantly reducing end-strength and structure now. So we're doing about everything we can in that area. And that's why for us it's important to take a look at some of these other areas as well.

KAINE:

Admiral Greenert?

GREENERT:

We do a 30-year shipbuilding plan and submit it to the Congress annually; and a 30-year aircraft building plan. And so we roll into that the strategy of the department and the requirements of the combatant commanders. And then we do what's called a force structure assessment where we balance the predominantly ships, but we look at all capabilities: our ability to meet the combatant commanders' presence requirements and the operational plans, as well as the scenarios of the department. We roll all those factors in.

That is done every time we change the strategy or make a tweak to the strategy, and at a quadrennial defense review.

KAINE:

Briefly, General Amos?

AMOS:

Senator, we've done three of them in the last three years, three-and-a-half years. The first one took over a year, a force structure review effort, going on right after I took this job. The last one was in the face of sequestration last year. And that designed the force to come from 202,000 down to 175,000.

Within that, though, we looked to how we can afford that 175,000 force. We looked at pay structure inside grade plates, is what we're talking about. We're the youngest of all the services and so we have the -- the most -- we have probably the lowest -- we do -- the lowest numbers of what we call "top six" ranks. They're the most expensive, both in the officer and the enlisted side of the house.

So we looked at can we make it even more, you know, less top heavy. And the answer is no, because we are so lean right now at that level. So we've got about 11 enlisted Marines for every officer. That's the ratio. I think it's the best.

So, the answer is yes, we've looked at it and, sir, we're about where we are.

LEVIN:

Thank you, Senator Kaine.

Senator King?

KING:

We have just a few minutes left before this vote, so I'm going to try to be quick.

These hearings must drive you guys crazy. I mean, I've been coming to these hearings with you for a year-and-a-half. Everybody talks about sequester, and yet nobody does anything about it. And then we're acting like sequester came from Mount Olympus.

It's self-imposed. I call it the "Wile E. Coyote" budget theory. Remember Wile E. Coyote and the Road Runner? You throw an anvil off the cliff, run to the bottom, look at the camera, smile stupidly, and then it hits you on the head.

We created this problem. And we can do something about it, but I just -- I mean, you guys must go and tear your hair out. Perhaps not you, General Odierno, but...

(LAUGHTER)

... but it's a -- it's a...

LEVIN:

Actually, he did have hair before sequestration.

(LAUGHTER)

KING:

Yeah, that's right.

But it's entirely self-imposed and we act like everybody around this committee, both parties, talks about how terrible it is, and yet we don't really move to do anything about it.

General Dempsey, I assume you don't want to make these cuts that you've presented, but you have to because it's a zero-sum game. Isn't that correct?

DEMPSEY:

Well, it is certainly in our best interest to be the best stewards of America's resources, and there are some things we would do anyway. But as I said earlier to Senator Kaine, or to Senator Blumenthal, one, the sequestration has made this almost a mind-numbing experience.

KING:

Well, but the reality of the world that we're in right now, that you're facing, it seems to me it's a new reality for the Congress is that it is a zero-sum game. So, if -- if we don't accept your recommendations, then that's \$2.1 billion a year, \$30 billion over five years that has to come from somewhere else.

DEMPSEY:

Absolutely. And that's why I mentioned to the chairman, if we wait, we're going to -- we'll have to -- if we wait two years, it's \$18 billion.

KING:

And your professional judgment unanimously, and I heard on the Personnel Committee from the enlisted chiefs unanimously, was that this is a sensible alternative, particularly when compared to the cuts to readiness that would otherwise have to take place. It's not a -- it's not a both-and, it's an either-or. Is that correct?

DEMPSEY:

That is correct.

LEVIN:

Let me interrupt, if I could, for one second. We have a vote. We're near the end of it. When you're done, Senator King, if you could recess us if there's nobody here, for 10 minutes.

Senator Nelson is coming back, I know. He's not had his first round, so if you all could stay during that recess, we'd appreciate it.

KING:

I'm prepared. I think we can recess now, Mr. Chairman. I'm -- I'm set.

LEVIN:

Thank you.

We'll recess until someone else comes back, give you folks a...

(LAUGHTER)

... chance.

DEMPSEY:

It's the story of our life, Chairman.

(LAUGHTER)

(RECESS)

(UNKNOWN)

(OFF-MIKE)

GRAHAM:

Thank you, Mr. Chairman Designee. You'd make a great chairman.

(LAUGHTER)

Thank you all for being here today. First, I'd just get my bias out of the way. We're having a commission that's supposed to report back to the Congress here, I think, next year, and I would like to hear from the commission before we make any real substantial changes.

I understand what you're telling the Congress. You got some things that you need to do now because of budget cuts.

Senator McCain asked a good question. Your big fear is sequestration. I want to kind of turn it around a bit.

Even if you had all the money you could possibly ask for within reason, would you still want to make personnel changes, reform the personnel system?

AMOS:

Yes, absolutely, Senator. We've actually testified to that in the past. You know, we got a new demographic, different things appeal to different kids, and we would want to take a look at all that.

GRAHAM:

And I think you got whatever personnel footprints you have, you got to make it sustainable. So, we're having a dilemma here. We're trying to make sure that pay and benefits are consistent with the sacrifice, as much as possible, is good for retention, is fair, and the tie goes to sailor, soldier, airman and Marine because if there's a doubt, I want to give them more, not less.

But it has got to be sustainable.

Now General Grass, we've offered TRICARE to reservists and Guard members, is that correct?

GRASS:

Yes, Senator.

GRAHAM:

How has that been received?

GRASS:

Senator, we've got about 12 percent of our force that has bought into it.

GRAHAM:

I think over time more will buy into it. And I think it's a good retention and readiness tool.

When we deploy from the Guard and reserve, sometimes we find that health care problems are the biggest impediment to getting people on orders. So having continuity of coverage, I think, makes sense from readiness and far as retention, if a member of the Guard or reserve could sign their family up for TRICARE, it's a real inducement to stay in.

So that's an example of expanding benefits. And when it comes to taking care of our troops, we're doing more on the sexual assault front, is that right, General Dempsey?

DEMPSEY:

Yes, Senator.

GRAHAM:

And I want to applaud everybody at this panel for taking the issue seriously. I like the way you're headed. We're providing JAGs to every victim. I just think what we're doing on the sexual assault fronts will pay dividends.

We've got PTSD problems. We've got suicide prevention programs. All these programs will cost money, is that right, General Dempsey?

DEMPSEY:

They do, Senator. And it's money well spent.

GRAHAM:

I couldn't agree with you more. So on one side you're increasing benefits based on reality of retention and problems associated with long-term service and a very dangerous world.

On the other side we're trying to create sustainable pay and benefits. That takes us to the big -- from the Marine Corps point of view, what percentage of your budget, General Amos, is personnel cost?

AMOS:

Sir, it's 63 percent.

GRAHAM:

Navy?

Please, everybody, answer that question, if you could.

GREENERT (?):

It's about a third, sir.

(UNKNOWN)

48 percent.

(UNKNOWN)

It's roughly 48 percent with military and civilian together.

GRAHAM:

OK.

General Dempsey, one of the things that we're looking at is prospectively maybe redesigning retirement.

And you're going to wait on the commission as far as that's concerned, is that correct?

DEMPSEY:

That is correct, Senator.

GRAHAM:

And count me in the camp of putting retirement on the table, making it more sustainable, more efficient but still generous.

The real big issue, I think, is TRICARE, is that a fair statement?

From all of your perspectives?

DEMPSEY:

I think the big three are actually pay, TRICARE and -- as well as BAH.

GRAHAM:

OK. So as we look at the big three, we're going to be looking at trying to make the pay-benefit system more sustainable but yet still appropriate for the sacrifice.

Is that correct?

DEMPSEY:

Yes, sir.

GRAHAM:

And you're asking the Congress to be a partner in this?

DEMPSEY:

Yes, sir.

GRAHAM:

I'm asking the Congress to keep an open mind to our VSOs. We will listen to you. We should. But we've got to get a handle on this because over time TRICARE grows very -- becomes a larger part of the budget, is that correct?

DEMPSEY:

That's correct, sir.

GRAHAM:

Very much like Medicare. I mean, we're going to have to deal with the cost of health care in a responsible way.

So, if we make these personnel changes and we adopt a reformed package like you just spoke, some kind of reform, how much money do you think it would save over time for the Department of Defense?

DEMPSEY:

The submission that we've currently proposed --

GRAHAM:

No, I'm talking about pay-benefits. I mean, what's your goal?

DEMPSEY:

Well, I think the goal is to actually slow the growth so that we -- as you noticed, each service has a different model.

GRAHAM:

Right.

DEMPSEY:

And each service would probably be better able to answer that question.

GRAHAM:

So, what's your goal in the Marine Corps after all these reforms, General Amos?

AMOS:

Senator, I'm -- I'm looking at -- well, right now in this FYDP, I'm looking at \$1.2 billion over the next 10 years. Excuse me...

GRAHAM:

Well, you don't have to answer this question today. Pick a number that you think is a sustainable cost, a percentage of your budget, and let that be your goal.

AMOS:

OK.

GRAHAM:

So, the goal is going to be each service is going to pick a percentage of your budget.

What do we have to do to get there?

And we'll all talk about whether or not that's -- that's running the place like a business. Personnel costs have to be managed. Let's pick a fair amount of the budget to go to personnel, understanding that's the heart and soul of the military. They have to be well taken care of. Their families have to be well taken care of.

But it has to be sustainable.

Now, I'll end with this. Once you put these -- all these numbers together, can you please, for the 555th time, tell the Congress that it -- no amount of personnel reform is going to save the military from being a hollow force if you don't fix sequestration.

Is that still a true statement?

DEMPSEY:

It's truer today than it was the last time we had this conversation.

GRAHAM:

Does everybody agree with the chairman's assessment?

(UNKNOWN)

Yes, Senator.

GRAHAM:

Let the record reflect everybody nodded in the affirmative.

Thank you.

LEVIN:

Senator Graham.

Senator Hirono?

HIRONO:

I got back just in the nick of time.

HIRONO:

I start by thanking all of you for your service, of course. And I join my colleagues in saying that we need to get rid of sequestration because it has done so much damage to our readiness and other aspects of the military. So I am with the -- my colleagues who are going to commit ourselves to getting rid of sequestration.

I have a question for General Amos regarding the commissaries. Because the commissaries, that is a -- something that our service people understand. Their families go to the commissaries. They know what the price differentials are.

General Amos, you said that we should force (inaudible) to become more efficient, rather than raising the prices, so that the differential becomes so much less. I'm completely in agreement with you. Does that mean that you know of examples, or perhaps any of the other chiefs, do you have examples of where commissaries need to find efficiencies? What is inefficient that they're doing that they should just address right away, in your view?

AMOS:

Senator, first of all, you've got -- you're absolutely correct on what our families are saying. The commissary issue itself is radioactive. And again, this -- our efforts never, ever even suggested closing commissaries. That's -- that was never on the table and it's still not today for us.

But we've already talked about some of the efficiencies. Admiral Winnefeld talked about that. My sense is...

HIRONO:

Excuse me. Are you talking about the generic drugs?

AMOS:

Yes. Yes, ma'am.

HIRONO:

I believe we agree with you on that. I can't understand why we do not allow generic drugs to be sold in our commissaries.

AMOS:

Yeah.

WINNEFELD:

It's not just drugs. It's generics across the board. I used the drug example because I could compare it to the exchange, which doesn't sell food. But there are similar stories across...

(CROSSTALK)

HIRONO:

Thank you for that clarification.

So that's a change that should occur and you're saying that you can't do it on your own; that it would require some change in the law?

WINNEFELD:

That's our understanding. And we'd like to see it happen. I can give you the example. I went out because my knees hurt. I used ibuprofen. I went out in town to a chain store.

HIRONO:

Yes.

WINNEFELD:

\$8.99; commissary sells it for \$7.98, a pretty good deal. But the chain store sells a generic for \$4.49. And the exchange sells it for \$2.10. So, I think that there's some substantial savings that we could right back in our people's pockets that would easily offset at least a portion of any subsidy...

(CROSSTALK)

HIRONO:

I agree with you. That sounds like low-hanging fruit that we ought to pick immediately, if not sooner.

General Amos, do you have any others -- areas where you can see efficiencies by our commissaries?

AMOS:

Senator, I don't have specific other areas, but I will just say this across the board. Years ago, our exchanges, the Marine Corps exchange, and I think it was that way in the other services as well, received what they called appropriated funds. In other words, they were subsidized, so that they weren't forced into making good business decisions. A little bit like Senator Graham just talked about, you know, being a good steward of your money.

That's not the case here. This is -- this is a subsidized institution. And I think it's time to -- I think it's time to change that. I think it's time to force them to go back and do things economically.

Now, economically, in my mind, doesn't equal taking the 30 percent savings away from our families. That's not what I'm saying. I'm saying figure it out. And you can't sit at a hearing and understand all -- all that that means, but I'm confident that they can, the same way that our Marine Corps exchange did years ago. And you can go to the Marine Corps exchange today and you still get a pretty good bargain.

HIRONO:

I agree with you, because in earlier hearings, the number that the savings or the price differential would go down to only 10 percent instead of 30 percent. That sounded like a -- you know, that was going to be the result. But now you're saying that no, there should be some other avenues before they start raising those prices.

So, I completely agree with you. I hope we're all on the same page on that.

WINNEFELD:

Ma'am, one of the things that I mentioned in my opening statement was that we exempted the commissaries from the 20 percent staff cuts that the rest of us are taking. We did that to help them with the first year's \$200 million.

And I'm not even going to suggest that they could make 20 percent. They have to run their enterprise. They have to -- they have to -- a distribution network, and they have stores they have to man. But we think they ought to look there, certainly as one of the efficiencies that you talked about.

HIRONO:

General Dempsey, you said that for you to come up with the kind of suggested savings and personnel costs, it was a one-year process. And it included most senior officers and enlisted leaders, and select mid-grade servicemembers. So that says to me that the vast majority of our servicemembers are not aware of your suggestions.

And maybe you are doing some things to get the word out, because I think it's really important to educate our servicemembers, explain to them that the cuts that are being made are not mainly coming on their backs. Because it begins to feel like that if their housing allowance is not what it is, or that the commissary prices are going up, or that their pay is going down.

So, I think it's going to be very important as we go forward, knowing that these cuts represent just a small -- a small percentage of what personnel costs actually represents, 30 percent, versus these cuts, 10 percent. I think it's important to get the word out to the servicemembers, because believe me, if that doesn't happen successfully, I do think that we're going to start hearing from our constituents. And pretty soon, it's going to be hard for us to support these cuts.

So can you tell me what you all are doing to get the word out, so that we know we're all in the same boat here?

DEMPSEY:

Well, we've -- all of us and those behind us, and those at every echelon of command, are -- are engaging our population on this very subject. I mean, whenever I travel, and I travel quite extensively, I always hold a town hall meeting. And this is always a topic of conversation.

But I offer the chiefs the opportunity to elaborate if you'd like.

WELSH:

Senator, Chief Master Sergeant of the Air Force Cody and I have been visiting Air Force bases all over the world. Like the chairman, we hold large audiences and forums everywhere we go. We talk about this subject every time. We take questions about it. We answer concerns. We make sure they understand what the proposals are and what they are not.

Our force is actually aware of what's going on. I don't think you'll find any individual who says he likes the idea of anybody slowing cost growth if it benefits their family. But they also will tell you that they would really like to have the best tools in the world. They really would like to be trained better than anybody else. And they take great pride in being the best in the world at what they do. And if they can't do that, they will find other employment.

HIRONO:

That's reassuring. Thank you.

I believe my time is up.

LEVIN:

Thank you, Senator Hirono.

Senator Nelson?

NELSON:

Thank you, Mr. Chairman.

General Dempsey, some have suggested that instead of the recommendations on changes in military compensation, that we should cut the civilian workforce. And some estimates are that you'd need to cut 100,000 in the civilian workforce.

Do you believe that cuts of those magnitude -- that magnitude of civilian workforce is a feasible alternative?

DEMPSEY:

No, I do not, Senator. I do think, in fact it's been our advice in these conversations with the department, that the reductions in the size of the end-strength of the combat power of the nation should be matched by a commensurate reduction in the overhead of the department. And that includes out into what we call the "fourth estate," you know, the defense agencies.

So, and by the way, as you know, Senator Hagel has directed a 20 percent reduction across the board. So, but I think the kind of -- that would devalue the contribution of the civilians who are - who are our wingmen and foxhole buddies and swim buddies in this enterprise.

NELSON:

Mr. Putin continues to be very aggressive, and whether it's uniformed personnel on the border of Ukraine, or whether it is the non-uniformed people that are proxies that are stirring up things inside, he's now moved on Odessa. Can you share publicly what are the plans -- let me rephrase that. What can you share publicly are the plans of the United States armed forces, as well as NATO, with regard to this aggressive action by Russia?

DEMPSEY:

Well, what I can say publicly, Senator, is that the United States has three instruments of national power: economic, diplomatic, and military. They're all being applied to this challenge of an assertive and aggressive Russia. The military instrument at this point, with regard to the Ukrainians, is support in terms of non-lethal assistance, intelligence sharing at some level, and the military instrument is principally involved in reassuring our NATO allies by the deployment of additional resources, the deployment of planners, the conduct of exercises to assure our NATO allies that we will live up to our Article 5 responsibilities under NATO.

NELSON:

And an example of that would be the F-16s that you recently sent to Poland.

DEMPSEY:

F-16s to Poland. Increase in ship presence, deployment of company-sized out of 173rd Airborne out of Vicenza into the Baltics and Poland, yes, sir.

NELSON:

Thank you, Mr. Chairman.

LEVIN:

Thank you very much, Senator Nelson.

Senator Sessions?

SESSIONS:

General Dempsey, thank you, and all of you, for your service. You have been given a thankless task. You have led us magnificently in combat, all of you have, and I know how many hours you work.

And when people think about how much you should pay a person in the military, often they forget there's no overtime. There are weekends and full deployments of months at a time, often in dangerous areas, that we're asking them to undergo, and I do believe there is a bond that the American people must have with those we send into dangerous places and we ask them to leave their families for an extended period of time. It can't be broken.

I'll just -- I'll tell you, I think that's fundamental.

Now, I'm on the Budget Committee, and I had to leave to go to the Budget Committee, where I'm a ranking member of the Budget Committee, so I'm seeing this from both sides. And I know how much of a danger this nation faces from debt.

The Congressional Budget Office director, Mr. Elmendorf, told the Budget Committee a few months ago that last week -- last year we spent \$221 billion on interest. So that's about half the defense budget. We get nothing for that. It has to be paid first.

He projects, however, and this is a dangerous thing, he projects by 10 years from today we'll pay \$875 billion in interest in one year. That's a \$650 billion increase in the amount we're paying for interest over this period of time.

And it's going to threaten -- we had the education secretary before us, and I told him, it's going to threaten your education budget.

So, I guess, first of all, I think this department, the Defense Department, is taking this seriously, and I respect you for it. And I'm totally of the belief that you're being asked to do more than any other department in the government is being asked. And I think the numbers will show that.

But it is a huge department. And we've agreed to certain budget limits on spending. And we need to adhere to them. They were -- relief was given in Ryan-Murray earlier this year, and I'm hopeful that that would be sufficient. Tnt we could get through this period in -- with those help, the help from that act, or maybe not. So we'll just have to hear from you.

So I know how -- this really worries me. It keeps me up at night. If it's not the string (ph) that causes me frustration, because the president's also saying that we if we increase any spending for the Defense Department, we have to increase non-defense spending in an equal amount, doubling the amount it busts the budget that he signed just not long ago.

And he's the commander in chief. You would think he would be here more forcefully advocating priorities that need to be set.

General Dempsey, you've heard former members of the Defense Department and others question the civilian personnel. I believe, Senator Nelson mentioned that earlier.

One estimate that I heard that I think is accurate. that after 9/11 we've added about 100,000 of civilian personnel. That was presumably to support our increase in active duty forces, which was considerable.

But as those active duty forces return to a level which I understand your plan accounts for, it returns to a level of what it was in 2011 (sic), why shouldn't we be able to reduce civilian personnel by 100,000?

DEMPSEY:

Well, Senator, there's three groups of individuals all of whom make up the total force. And that's, of course, the service men and women, civilian department employees and then contractors. And contractors will take a more significant cut, followed by the DOD civilians and the uniform military. But this has to all be done...

(CROSSTALK)

SESSIONS:

On a percentage basis, General Dempsey, personnel, won't you be reducing military uniformed personnel in a bigger percentage than civilian, or is that...

DEMPSEY:

Well, I'd have to -- that would probably vary slightly -- not slightly, it'll probably vary service by service.

But, you do know, Senator, that 90 percent of the people we're talking about are not in Washington, D.C. They're out in shipyards and depots and training areas. I mean, they're doing important work.

But, if I could sir, I think maybe one of the service chiefs would want to talk about that aspect of their, the way they build their force...

(CROSSTALK)

SESSIONS:

Well, let me just say, I fully respect the contributions. And many of these are former military people. And they'll deploy, and they go, many of them from Alabama were in Iraq and Afghanistan during hostilities assisting the military in their mission.

However, it may be a bit harder, personnel-wise, to reduce a civilian employee as compared to a military employee.

And that -- as for me, I don't think that should be. I think we should make sure that civilian personnel face the same evaluations that uniform people do. But go ahead.

DEMPSEY:

Well, I agree with that, Senator.

Do any of the chiefs want to talk about the civilian aspect of this?

(inaudible)?

ODIERNO:

OK, so, Senator, in the Army, we're reducing it, as the chairman said, there's a triad of military, civilian and contractors.

Military is much easier because the space has a face, so it's very easy to understand how you're cutting. But we also cut the budget on our contractors. We've cut the budget on our civilians.

And that's what -- that's what controls the number of civilians and (inaudible), as the number of dollars allocated. So we've come down about 20,000 civilians so far in the Army, and that will continue to come down at a rate equal to what our military numbers will come down.

As we continue to look at out-year budgets, we're also working very hard at reducing our contract support to our sustainment and maintenance, and try to do more with uniformed personnel. And we're looking at that very carefully.

We're also looking at the contracts we have that we think are more service-related, that can be done by others.

But all of these things are -- if, for example, I cut contracts in installation, then I've got to use borrowed (ph) military manpower. And so, it's one or the other, because it still has to get done.

If I cut the contracts for cutting grass and doing other things, then I have to have military cut the grass, I got to have them work in our dining facilities, I got to have them do these other things that contracts have been doing. So...

(CROSSTALK)

ODIERNO:

... it's all things that have to get done. And so, we can cut contractors, and we will. We will cut some of our civilians. But some of them we can't, because they're too valuable, as you mentioned, valuable to everything we do.

But, if we do, the military is gonna have to take over some of those responsibilities. And so, it's just stuff that has to be done.

And, again, I would just throw out there, is right now, we're not reducing any installations because there is no BRAC. And so, we're reducing 150,000 men, and we have to sustain these installations, and it's cost us a lot of money. And so, we have to hire contractors; we have to hire civilians. And if we can't do that, we're gonna have to use borrowed (ph) military manpower to do it. That's the bottom line.

SESSIONS:

Thank you. I'll submit some questions about the numbers, but my impression is that you're having a larger percent of reduction in uniformed personnel than we are in civilian personnel, and I'm troubled by that.

LEVIN:

Will you give us that service by service for the record? Thank you.

Senator Gillibrand?

GILLIBRAND:

Thank you, Mr. Chairman.

Thank you all for your service. Thank you for testifying today before our committee; I'm very grateful.

Obviously, these are very tough times, and we are all concerned about how to manage our mission and operations to the best of our abilities.

And as the chair of the Personnel Subcommittee, I'm very worried about trade-offs we're making in terms of military families particularly those who are the lowest paid. And so, one of the things I'm interested in, particularly with the opening statement, General Dempsey, you mentioned in your opening statement that you are unable to retire weapon systems that you no longer need and can't afford.

Can you tell us more about these systems and what kinds of savings you can find if you retire them? Because all budgets, every time we pass a budget in Congress, it's all about priorities. So I

want to hear a little bit about that as a source, perhaps, for funding for things that we think are higher priority.

DEMPSEY:

Thanks, Senator. And, you know, I would like to take that one for the record as well, but I will -- but I will give you one example, because it would cross all services. So let me take one that's not at all controversial, the A-10.

If we -- if we -- if we retire the A-10, it's \$3.5 billion in savings to the Air Force over the future year defense plan. If we don't, he's got to find \$3.5 billion some place else. But each service has an example of something like that.

GILLIBRAND:

Thank you. And I look forward to your full response on the record.

Another issue that I care deeply about and General Dempsey, we've talked about it, as has Admiral Winnefeld. And that's the men and women who serve in our military and their families, and the sacrifices that they make to do that.

One of the sacrifices I don't think they should have to make is not being able to afford treatment for their kids who have autism or other developmental disabilities. I think it's so unfair that just because you will sacrifice everything for our nation and serve for our nation that your kid, your child who needs these important therapies to learn, to grow, and to develop, are denied it, because we don't want to make them a priority. I think that's a mistake. I think it's morally wrong.

And I would like your thoughts on what's going to happen with regard to that process, because I know we're combining all the programs, specifically for autism. I haven't seen what that's going to look like yet, but I want to know: are there going to be barriers of -- barriers to care for children with disabilities, and particularly autism?

WINNEFELD:

Senator, it's a great question. Last time you and I dealt with this, we made a little stink over in the department, and I think we actually fixed that problem, but I don't have the specifics for you. I'd like to take that for the record. I believe we're on track. If we're not, I want to know about it, because this is something that's terribly important to us.

So, we're on the same sheet of music here.

GILLIBRAND:

Yeah. And you don't want federal employees' kids to have a better access to care than military families' kids. That's just not right. So, I do -- I do want to just raise it, because it is one of the

most expensive and painful things to make sure your child gets the education they need, and -- and a lot of the therapies are developmental.

It actually affects how their brains form, and whether they can reach the level of capacity that -- that they can.

Thank you.

WINNEFELD:

I think OSD health affairs tackled that.

GILLIBRAND:

OK.

WINNEFELD:

But I do want to get back to you to make absolutely certain.

GILLIBRAND:

Thank you. Similarly, as I meet with the troops around my state, both National Guard, active duty, and reserve, the stress on mental health access is very high. Access to mental health services to treat Post-Traumatic Stress Disorder and traumatic brain injury is still quite intense. So, my question is, as we've had a number of -- of -- of families coming home, under the current TRICARE requirements, there are copays for these services.

Do you believe that those copays will cause barriers to care, specifically for the mental health of our troops and their families?

And I've begun to -- I had hearing to develop the increase in suicide rates. 11 suicides today in our military. But there's also an increase in suicide of family members, because of multiple deployments, because of PTSD of servicemembers coming home. And obviously, that raises serious concerns to me.

I'd like to hear a little bit from any of you who'd want to talk about whether you'll see -- you see barriers to care here.

ODIERNO:

If I could. I think we're doing a good job of increasing behavior health to active forces, and we're trying to get more access to our reserve and Guard. My concern, I think is where you're headed with this, and I agree with you -- it's for family members. Because frankly it is -- even under TRICARE, it is difficult to always get care covered for behavior health under TRICARE for our family members. Sometimes it's accepted, sometimes it's not.

There are behavior health rules for health care needs to be looked at, especially as we look at the impacts that the wars have had on our families, especially on our children, and that's where I worry about significantly.

I know specific cases where a lot of out of pocket expenses has to be expended either because it's not covered, or there's a copay because they don't recognize certain treatments or they don't recognize -- and so in my mind this is something we have to absolutely get after over the long term.

GILLIBRAND:

So, I'd like your commitment that you'll work with me on this to come up with some solutions for how best to protect our -- our service members and their families. Thank you.

And then my last set of questions are for any who want to take it, but what is the department's plan for the increased demand at the medical treatment facilities?

Does DOD plan to hire more medical providers to handle the increase of patients at the MTF, and what will the impact on military families, both active and reserve, who do not live near the medical treatment facilities, are they going to be penalized for not being able to use the MTFs?

DEMPSEY:

Well, I will give you a general answer. That question would probably would be best addressed to the Defense Health Agency, Dr. Woodson. But I can tell you that our recommendation on our support for forming a single TRICARE system as opposed to multiple systems that are not interoperable with each other is to try to encourage use of MTFs and then in-service care, or in-network care, and then only out of network care as a -- as a last resort.

And that's -- that's our role here as a JCS, working with Dr. Woodson, because we don't want -- we want to make sure that while we're doing that, while we're incentivizing use of MTFs for example, there may be another process that might be trying to reduce the level of care at an MTF.

And we're deeply involved in that process right now.

GILLIBRAND:

Thank you. Thank you all.

LEVIN:

Thank you very much, Senator Gillibrand.

Gentlemen, thank you. Thank you for all you do for our nation, for our troops and their families, and we will now move to our second panel. Thank you.